

JAE Europe, Limited

Annual Report and Financial Statements

Year Ended

31 March 2023

Company Number 03244456

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JAE Europe, Limited

Company Information

Directors	W Oyamada M. Matsuo S. Nanao K. Tomizuka K. Koyama
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 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Bankers	MUFG Bank, Ltd 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 2023

Introduction

The principal activity of JAE Europe, Limited (the "Company") is the distribution of electronic components manufactured by fellow group undertakings.

Business review

Overview

During the year ended 31 March 2023, the Company achieved sales of £91.4m compared to £77.4m for the previous year. A profit before taxation of £1.5m was recognised, compared to a profit before taxation of £0.7m in the year ended 31 March 2022.

The directors are satisfied with the results for the year. The operations are split between a connectors business and an aerospace business.

Connector business

The connector business grew by 8.8% from the previous year, achieving sales of £65.4m compared with £60.1m in the previous year. The sales increase is due to a rise in manufacturing of the vehicles that house JAE's components, due to COVID related issues (such as the global shortage of semiconductor chips) diminishing.

The gross profit margin of the connector business remained steady, at 13.4% compared to 13.5% in the previous year. The margin was obtained due to continued control of logistic costs, after the high air freight requirement seen during COVID. In the year ended 31 March 2022, logistic costs were 12% of sales, and this ratio dropped to 9% of sales in 2023. In monetary terms, the business spent £1.3m less on freight than in the previous year. On the other hand, the purchase cost of stock rose, as high inflation was seen globally, throughout 2022 and 2023 (for example, due to the ongoing war in Ukraine).

Aerospace business

During the year ended 31 March 2023, the aerospace business achieved sales of £26.0m compared to £17.3m in 2022. The increase was caused by a focus on business development, and continued rebound in demand for JAE's products, post COVID.

However, despite the better sales performance, the gross margin declined from 12.6% to 9.9% over the year. The decrease in margin percentage is due to inflationary pressure on costs.

Balance sheet review

Connector and Aero profit margin positively contributed to fixed overheads in the year. Cash decreased to £2.0m (2022 - £3.1m) but with a £1.2m decrease in creditors (falling due within 1 year) with current assets increasing to £38.1m (2022 - £38.2m) with stock and debtors well controlled alongside the 18% sales increase versus prior year. Overall the company maintains a strong balance sheet position with Shareholder's funds increased to £9,727m (2022 - £8,615m).

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 continues to be a major focus for the Company and its supply chain and planning departments.

JAE Europe, Limited

Strategic report (continued) For the year ended 31 March 2023

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.

The continued war in Ukraine provided further adverse impact on energy costs which remained high. The cost of living crisis persisted in UK and within parts of Europe. UK inflation CPI rate at March 2023 was 10.1% (which had reduced slightly from a high of 11.1% in October 2022). UK inflation has stabilised towards the end of 2023 and is expected to decrease in 2024.

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.

Likely future developments in the business of the Company

The Company will continue to innovate products providing solutions to customers in a worldwide market. With rapid evolution in the automotive industry there is a focus to offer robust and high quality products with ongoing technology advances providing more opportunities in growing markets.

JAE Europe, Limited

Strategic report (continued) For the year ended 31 March 2023

Directors' statement of compliance with Section 172(1)

S172(1) of the Companies Act sets out the duties of each director of a company to act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of the shareholders as a whole and in so doing, have regard to a number of broader matters as set out below:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

The following summarises how the Company's Board fulfils its duties under Section 172. The directors of JAE Europe Limited have established a Senior Management Team (SMT) to make strategic decisions on behalf of the Company and to manage the day to day business activities. While making these decisions the SMT will consider their legal duty and also the priorities and requirements of the ultimate controlling party NEC Corporation, a company incorporated in Japan. The SMT comprises Directors, Heads of each operational support function and the relevant General Managers of the business areas.

- (a) the likely consequences of any decision in the long term

The directors take into account the impact of any decision on the short term and long term interests of the Company and associated stakeholders. The strategic decisions of the Company headquarters influences the decisions and strategy of the business with the directors taking into account the UK laws and regulations and UK employee needs. Decisions over the last financial year have included current and future product ranges, supply chain development, IT infrastructure, inventory management and other key internal processes.

- (b) the interests of the Company's employees

The directors of the business acknowledge that our workforce is our most valuable asset and that employee engagement and retention is one of the most critical factors in the overall success of the Company. The Company invests in training and skills acquisition and enrichment. The business is a responsible employer in our approach to reward employees with pay and benefits. The health, safety and wellbeing of our employees is one of the primary considerations in the way we do business. Flexibility is offered to employees regarding work timing and attendance on site at the UK HQ. As a further commitment to employees, Investor in People accreditation is being sought.

Examples of the ways we support and encourage are employees include: communicating openly important topics affecting employees related to the Company. Regular updates are provided by way of presentations which contain information regarding the financial performance, products and markets, recognition of employees who have long service awards, recognition of special contributions to overall success of the Company. On an individual basis, performance reviews of employees are carried out twice a year concerning achievements or training and development opportunities.

JAE Europe, Limited

Strategic report (continued)
For the year ended 31 March 2023

Directors' statement of compliance with Section 172(1) (continued)

- (c) the need to foster the Company's business relationships with suppliers, customers and others

Members of the Board and SMT regularly visit our valued local and international partners including Europe, USA and Japan. JAE Europe, Limited are committed to establishing and developing long term mutually productive relationships with all partners: customers and suppliers. The Board understand the rapid pace of change in the industry and foster relationships with customers to provide continued improvement in product and service offerings. Sales function hold regular conferences and events to support and promote the interests of customers establishing many long term relationships. Supply chain nurture key relationships with suppliers and production units

In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and long established reputation. Receiving regular customer service performance updates and feedback from Customer Service and Supply Chain.

- (d) the impact of the Company's operations on the community and the environment

Many of the partner manufacturing plants are certified complaint with ISO 14001 (Environmental Management Systems standard).

The directors and SMT recognises the importance of leading the Company so it can contribute to wider society and offers employees paid leave to support local or national charities with regular organised events providing volunteer work.

- (e) the desirability of the Company maintaining a reputation for high standards of business conduct,

The directors and SMT acknowledge the importance of high standards of business conduct which has been a long tradition and part of JAE Europe culture and ways of doing business. Employees are reminded to comply with the high standard of corporate responsibility.

- (f) the need to act fairly between members of the Company

After weighing up all relevant factors, the directors consider the course of action which best positions the Company's long-term success, reviewing the impact on stakeholders. In doing so, our directors act fairly as between the Company's members but are not required to balance the Company's interests with those of other stakeholders. This can sometimes mean that certain stakeholder interests may not be fully aligned.

This report was approved by the board on **13th March 2024** and signed on its behalf.



W Oyamada
Director

JAE Europe, Limited

Directors' report For the year ended 31 March 2023

The directors present their report together with the audited financial statements for the year ended 31 March 2023.

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 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 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,112,384 (2022 - £793,527).

Dividends declared and paid in the year amounted to £Nil (2022 - £Nil).

Directors

The directors who served during the year were:

W Oyamada
M. Matsuo
S. Nanao
K. Tomizuka
K. Koyama

Qualifying indemnity provision

The Company has qualifying third party indemnity provisions in place for the directors during the year end at the date of approval of the Director's report.

JAE Europe, Limited

Directors' report (continued) For the year ended 31 March 2023

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 phase in/phase out (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

Liquidity risk

The directors are confident that due to potential funding from the ultimate parent Company there is minimal liquidity risk whereby the Company may not be able to pay obligations when they fall due.

Going concern

The Company has prepared the financial statements for the year ended 31 March 2023 on a going concern basis. At the Balance Sheet date, the Company is in a net current asset position of £9,436,951 (2022 – £8,396,519) and an overall net asset position of £9,727,479 (2022 – £8,615,095).

The Company has prepared a cashflow forecast to March 2025. Forecasts to March 2024 show the Company making a profit before taxation of £0.4m.

In October 2021 the Company received a loan from its parent of \$5 million, which was initially due for repayment in October 2022, and then extended to November 2023. This loan has been repaid in November 2023. The total loan facility has been extended to \$6 million if required.

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 performance of the Company in the 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.

JAE Europe, Limited

Directors' report (continued) For the year ended 31 March 2023

Streamlined Energy and Carbon Reporting

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 7, paragraph 15 require certain disclosures regarding greenhouse gas emissions ("GHGe").

The Company consumed 40,000kWh of energy or less in the United Kingdom during the year ended 31 March 2023, therefore the disclosures required by the Large and Medium sized Companies and Group (Accounts and Report) Regulations 2008, Schedule 7, paragraph 15 regarding greenhouse gas emissions ("GHGe") are not required.

Matters covered in the Strategic report

Key performance indicators and future developments for the year ending 31 March 2023 are disclosed in the Strategic report as required by s414C(11) of Companies Act 2006 along with the statement required by Schedule 7 11B.

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 are no post balance sheet events affecting the Company.

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 **13th March 2024** and signed on its behalf.



W Oyamada
Director

JAE Europe, Limited

Independent auditor's report to the members of JAE Europe, Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 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.

We have audited the financial statements of JAE Europe, Limited ("the Company") for the year ended 31 March 2023 which comprise 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations we considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be The Health and Safety at Work Act 1974, Data Protection Act 2018, Bribery Act 2010 and tax legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

JAE Europe, Limited

Independent auditor's report to the members of JAE Europe, Limited (continued)

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - o Detecting and responding to the risks of fraud; and
 - o Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, and revenue recognition (specifically related to cut-off around year end and manual adjustments).

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

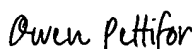
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:



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Owen Pettifor (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

Date: 14 March 2024

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 2023

	Note	2023 £	2022 £
Turnover	4	91,443,242	77,441,073
Cost of sales		(80,462,590)	(68,006,396)
Gross profit		10,980,652	9,434,677
Administrative expenses		(11,625,292)	(10,381,811)
Other operating income	5	2,151,552	1,681,107
Operating profit	6	1,506,912	733,973
Interest payable and similar expenses	10	(48,954)	(16,543)
Profit before tax		1,457,958	717,430
Tax on profit	11	(345,574)	76,097
Total comprehensive income and profit for the year		1,112,384	793,527

There was no other comprehensive income for 2023 (2022 - £Nil).

All amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these financial statements.

JAE Europe, Limited
Registered number: 03244456

Balance sheet
As at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	12	290,528	218,576
Current assets			
Stocks	13	11,066,623	12,303,260
Debtors: amounts falling due within one year	14	24,971,990	22,774,665
Cash and cash equivalents	15	2,046,220	3,138,028
		<u>38,084,833</u>	<u>38,215,953</u>
Creditors: amounts falling due within one year	16	<u>(28,647,882)</u>	<u>(29,819,434)</u>
Net current assets		<u>9,436,951</u>	8,396,519
Total assets less current liabilities		<u>9,727,479</u>	8,615,095
Net assets		<u><u>9,727,479</u></u>	<u><u>8,615,095</u></u>
Capital and reserves			
Called up share capital	19	400,000	400,000
Profit and loss account	20	9,327,479	8,215,095
		<u><u>9,727,479</u></u>	<u><u>8,615,095</u></u>

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



W Oyamada
Director

13th March 2024

The notes on pages 16 to 28 form part of these financial statements.

JAE Europe, Limited

Statement of changes in equity For the year ended 31 March 2023

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2022	400,000	8,215,095	8,615,095
Comprehensive income for the year			
Profit for the year	-	1,112,384	1,112,384
Total comprehensive income for the year	-	1,112,384	1,112,384
At 31 March 2023	400,000	9,327,479	9,727,479

Statement of changes in equity For the year ended 31 March 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2021	400,000	7,421,568	7,821,568
Comprehensive income for the year			
Profit for the year	-	793,527	793,527
Total comprehensive income for the year	-	793,527	793,527
At 31 March 2022	400,000	8,215,095	8,615,095

The notes on pages 16 to 28 form part of these financial statements.

JAE Europe, Limited

Statement of cash flows For the year ended 31 March 2023

	2023 £	2022 £
Cash flows from operating activities		
Profit for the financial year	1,112,384	793,527
Adjustments for:		
Depreciation of tangible assets	146,894	188,595
Interest paid	48,954	16,543
Taxation charge	345,574	(76,097)
Decrease/(increase) in stocks	1,236,637	(4,242,287)
Increase in debtors	(2,542,899)	(1,446,752)
Increase/(decrease) in creditors	(8,026)	(1,697,238)
Net cash generated from/(used in) operating activities	339,518	(6,463,709)
Cash flows from investing activities		
Purchase of tangible fixed assets	(256,748)	(88,137)
Sale of tangible fixed assets	37,902	152
Net cash used in investing activities	(218,846)	(87,985)
Cash flows from financing activities		
Interest paid	(48,954)	(16,543)
New loans from group companies	-	5,515,298
Loans from group companies repaid	(1,163,526)	-
Net cash (used in)/generated from financing activities	(1,212,480)	5,498,755
Net decrease in cash and cash equivalents	(1,091,808)	(1,052,939)
Cash and cash equivalents at beginning of year	3,138,028	4,190,967
Cash and cash equivalents at the end of year	2,046,220	3,138,028
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,046,220	3,138,028

The notes on pages 16 to 28 form part of these financial statements.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

1. General information

JAE Europe, Limited (the "Company") is a private Company incorporated in England and Wales under the Companies Act. 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 Company has prepared the financial statements for the year ended 31 March 2023 on a going concern basis. At the Balance Sheet date, the Company is in a net current asset position of £9,436,951 (2022 – £8,396,519) and an overall net asset position of £9,727,479 (2022 – £8,615,095).

The Company has prepared a cashflow forecast to March 2025. Forecasts to March 2024 show the Company making a profit before taxation of £0.4m.

In October 2021 the Company received a loan from its parent of \$5 million, which was initially due for repayment in October 2022, and then extended to November 2023. This loan has been repaid in November 2023. The total loan facility has been extended to \$6 million if required.

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 performance of the Company in the 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.

JAЕ Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

2. Accounting policies (continued)

2.3 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods supplied, net of returns and discounts by the Company, 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. The point of delivery is dependent on the incoterm (INCOTERMS® 2020 as issued by the International Chamber of Commerce) included in the contract.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.6 Finance costs

Finance costs are charged to profit or loss 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.

2.7 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 profit or loss 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 2023

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.9 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.

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 and 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 profit or loss.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

2. Accounting policies (continued)

2.10 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.

2.11 Debtors

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

2.12 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.

2.13 Creditors

Short-term creditors are measured at the transaction price.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans from related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, 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 in the case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows 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 profit or loss.

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.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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 of the recoverable amount, 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.

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 13)

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 14)

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:

	2023 £	2022 £
United Kingdom	12,500,440	6,319,086
Rest of the world	78,942,802	71,121,987
	<u>91,443,242</u>	<u>77,441,073</u>

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

5. Other operating income

	2023 £	2022 £
Commissions receivable	2,151,552	1,681,107

6. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Depreciation of tangible fixed assets	146,894	188,595
Exchange differences	580,598	383,951
Defined contribution pension costs	132,446	117,188
Other operating lease rentals:		
- vehicles	213,286	195,371
- office equipment	11,918	10,146
- office rental	347,676	-

7. Auditor's remuneration

	2023 £	2022 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	55,000	36,800
Fees payable to the Company's auditor and its associates in respect of:		
Audit related assurance services	10,000	5,430
Taxation compliance services	5,550	2,255
Accounts preparation services	3,250	1,995
	18,800	9,680

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

8. Employees

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

	2023 £	2022 £
Wages and salaries	7,193,981	6,759,933
Social security costs	526,702	445,190
Cost of defined contribution scheme	132,446	117,188
	<u>7,853,129</u>	<u>7,322,311</u>

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

	2023 No.	2022 No.
Distribution staff	58	58
Administration staff	9	9
Management staff	11	11
	<u>78</u>	<u>78</u>

9. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	<u>212,369</u>	<u>195,769</u>

The highest paid director received remuneration of £212,369 (2022 - £195,769).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2022 - £Nil).

The directors are considered to be the only key management personnel of the Company. Total amounts paid to key management personnel were £212,369 (2022 - £195,769). Only one director is remunerated by the Company as other directors are remunerated by other group companies. The directors consider their services to this incidental to those elsewhere and, as such, no remuneration recognised in the Company.

10. Interest payable and similar expenses

	2023 £	2022 £
Interest payable on loans from group undertakings	<u>48,954</u>	<u>16,543</u>

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	-	(21,075)
Adjustments in respect of prior periods	(19,568)	21,390
	<u>(19,568)</u>	<u>315</u>
Foreign tax		
Foreign tax on income for the year	58,820	46,216
Total current tax	<u>39,252</u>	<u>46,531</u>
Deferred tax		
Origination and reversal of timing differences	307,037	112,041
Adjustments in respect of prior periods	(715)	-
Changes to tax rates	-	(234,669)
Total deferred tax	<u>306,322</u>	<u>(122,628)</u>
Taxation on profit on ordinary activities	<u>345,574</u>	<u>(76,097)</u>

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

11. Taxation (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2022 - lower than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	1,457,958	717,430
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	277,012	136,312
Effects of:		
Fixed asset differences	(12,659)	(1,681)
Expenses not deductible for tax purposes	3,277	4,208
Adjustments to tax charge in respect of previous periods	(19,568)	(21,075)
Adjustments to tax charge in respect of previous periods - deferred tax	(715)	(8,977)
Other tax adjustments, reliefs and transfers	-	29
Remeasurement of deferred tax for changes in tax rates	73,688	(225,692)
Adjustments to tax charge in respect of previous periods - foreign tax	-	21,390
Foreign tax not relieved	24,539	19,389
Total tax charge/(credit) for the year	345,574	(76,097)

Factors that may affect future tax charges

The Finance Act 2021 was substantively enacted in May 2021 and increased the corporation tax from 19% to 25% with effect from 1 April 2023. The deferred taxation has been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

12. Tangible fixed assets

	Plant and machinery £
Cost	
At 1 April 2022	1,506,407
Additions	256,748
Disposals	(42,452)
At 31 March 2023	<u>1,720,703</u>
Depreciation	
At 1 April 2022	1,287,831
Charge for the year	146,894
Depreciation on disposals	(4,550)
At 31 March 2023	<u>1,430,175</u>
Net book value	
At 31 March 2023	<u><u>290,528</u></u>
At 31 March 2022	<u><u>218,576</u></u>

13. Stocks

	2023 £	2022 £
Finished goods and goods for resale	<u><u>11,066,623</u></u>	<u><u>12,303,260</u></u>

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

The stock obsolescence provision has been increased by £583,530 in the current year (2022 - £214,622).

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

14. Debtors

	2023 £	2022 £
Trade debtors	22,603,742	19,552,092
Amounts owed by group undertakings	1,144,898	1,794,261
Other debtors	226,465	255,407
Prepayments and accrued income	362,823	232,521
Deferred taxation (see note 18)	634,062	940,384
	<u>24,971,990</u>	<u>22,774,665</u>

The impairment loss recognised in profit or loss relating to bad and doubtful trade debtors was not material in both the current and prior years.

All amounts fall due within 1 year besides the deferred tax balance which is expected to be realised in more than 1 year (see note 18).

15. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	<u>2,046,220</u>	<u>3,138,028</u>

16. Creditors: amounts falling due within one year

	2023 £	2022 £
Loans from group undertakings	4,518,292	5,681,818
Trade creditors	798,069	378,045
Amounts owed to group undertakings	21,119,507	20,938,903
Other taxation and social security	206,530	347,772
Accruals and deferred income	2,005,484	2,472,896
	<u>28,647,882</u>	<u>29,819,434</u>

As at 31 March 2023, the principal loan balance outstanding was £4,518,292 (2022 - £5,681,818). £4,518,292 is due on 29 November 2023. The interest rate for the balance is 0.5% (2022 - 0.5%) per annum. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17. Financial instruments

Information regarding the Company's exposure to and management of credit risk, liquidity risk and exchange rate risk is included in the Directors' report.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

18. Deferred taxation

	2023 £
At beginning of year	940,384
Charged to profit or loss	(306,322)
At end of year	634,062

The deferred tax asset is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(27,427)	(7,305)
Losses and other deductions	598,924	891,678
Short term timing differences	62,565	56,011
	634,062	940,384

The Company is expected to continue to make taxable losses for the year ended 31 March 2024 therefore the net reversal of the deferred tax balances in relation to tax losses are expected to be utilised from 2025 onwards. This is when the Company will start to generate taxable profits.

It is not possible to estimate the value of future reversals as this is dependant on the reversal of other short term differences and capital allowance.

19. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
400,000 (2022 - 400,000) ordinary shares of £1 each	400,000	400,000

The Ordinary shares have full voting, dividend and capital distribution (including on winding up) rights attached to them. They do not confer any rights of redemption.

20. 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.

JAE Europe, Limited

Notes to the financial statements For the year ended 31 March 2023

21. Analysis of net debt

	At 1 April 2022 £	Cash flows £	At 31 March 2023 £
Cash at bank and in hand	3,138,028	(1,091,808)	2,046,220
Debt due within 1 year	(5,681,818)	1,163,526	(4,518,292)
	<u>(2,543,790)</u>	<u>71,718</u>	<u>(2,472,072)</u>

22. 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 £132,446 (2022 - £117,188). Contributions totalling £26,276 (2022 - £19,636) were payable to the fund at the Balance Sheet date.

23. Commitments under operating leases

At 31 March 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	348,141	315,436
Later than 1 year and not later than 5 years	1,391,799	63,540
	<u>1,739,940</u>	<u>378,976</u>

24. 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.

25. Controlling party

The Company's immediate parent is JAE Japan, a Company that is incorporated in Japan, this is the smallest group in to which JAE Europe Limited is consolidated.

The Company's controlling party is NEC Corporation, a Company incorporated in Japan. This the largest group into which the Company is consolidated and the copies of the Group financial statements may be obtained from 7 - 1, Shiba 5-chome, Minato-ku, Tokyo, Japan.