

Registered number: 02217968

KIP UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



KIP UK LIMITED

COMPANY INFORMATION

Directors	Sherman Sawtelle Thomas Houdek
Company secretary	David Jenkinson
Registered number	02217968
Registered office	Stephenson Close Drayton Fields Daventry Northamptonshire NN11 8RF
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF
Bankers	Lloyds TSB Bank Plc George Row Northampton NN1 1DJ

KIP UK LIMITED

CONTENTS

	Page
Directors' Report	1 - 2
Independent Auditor's Report	3 - 5
Statement of Comprehensive Income	6
Balance Sheet	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 25

KIP UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Directors

The directors who served during the year were:

Sherman Sawtelle
Thomas Houdek

Brexit

The Directors have considered the possible impact that Brexit may have on business operations. At the time of signing the accounts the situation regarding Brexit remains far from clear. However, in an attempt to mitigate any delays at the ports that may occur post Brexit the company has taken the following two steps:

Firstly, a quantity of inventory has been transferred to a warehouse in Germany to ensure uninterrupted supply to European customers.

Secondly, the company is in the process of applying for accreditation with HMRC as an 'Authorised Economic Operator'.

KIP UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.

Auditor

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 15TH day of May, 2019 and signed on its behalf.



Thomas Houdek
Director

KIP UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIP UK LIMITED

Opinion

We have audited the financial statements of KIP UK Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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 FRS 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 December 2018 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.

The impact of uncertainties due to United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

KIP UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIP UK LIMITED

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.

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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

KIP UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIP UK LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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 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 on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.



Stephen Brown (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 20 May 2019

KIP UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	3	7,260,724	9,441,196
Cost of sales		(5,965,242)	(7,943,896)
Gross profit		<u>1,295,482</u>	<u>1,497,300</u>
Administrative expenses		(1,206,097)	(1,452,568)
Operating profit	4	<u>89,385</u>	<u>44,732</u>
Interest receivable and similar income		1,016	-
Profit before tax		<u>90,401</u>	<u>44,732</u>
Tax on profit	9	-	3,098
Profit for the financial year		<u>90,401</u>	<u>47,830</u>
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive income for the year		<u>90,401</u>	<u>47,830</u>

The notes on pages 10 to 25 form part of these financial statements.

KIP UK LIMITED
REGISTERED NUMBER: 02217968

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	420,340	507,530
		<u>420,340</u>	<u>507,530</u>
Current assets			
Stocks	11	2,353,684	2,302,354
Debtors: amounts falling due within one year	12	1,090,130	1,177,938
Cash at bank and in hand	13	1,756,012	635,779
		<u>5,199,826</u>	<u>4,116,071</u>
Creditors: amounts falling due within one year	14	<u>(2,686,042)</u>	<u>(1,779,878)</u>
Net current assets		<u>2,513,784</u>	<u>2,336,193</u>
Total assets less current liabilities		<u>2,934,124</u>	<u>2,843,723</u>
Provisions for liabilities			
Deferred tax	16	<u>(9,731)</u>	<u>(9,731)</u>
		<u>(9,731)</u>	<u>(9,731)</u>
Net assets		<u><u>2,924,393</u></u>	<u><u>2,833,992</u></u>
Capital and reserves			
Called up share capital	18	5,252,479	5,252,479
Revaluation reserve	17	197,811	201,162
Profit and loss account	17	<u>(2,525,897)</u>	<u>(2,619,649)</u>
		<u><u>2,924,393</u></u>	<u><u>2,833,992</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

15th day of May, 2019



Thomas Houdek
Director

The notes on pages 10 to 25 form part of these financial statements.

KIP UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2017	5,252,479	207,864	(2,674,181)	2,786,162
Comprehensive income for the year				
Profit for the year	-	-	47,830	47,830
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	47,830	47,830
Total transactions with owners	-	(6,702)	6,702	-
At 1 January 2018	5,252,479	201,162	(2,619,649)	2,833,992
Comprehensive income for the year				
Profit for the year	-	-	90,401	90,401
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	90,401	90,401
Transfer to/from profit and loss account	-	(3,351)	3,351	-
Total transactions with owners	-	(3,351)	3,351	-
At 31 December 2018	5,252,479	197,811	(2,525,897)	2,924,393

The notes on pages 10 to 25 form part of these financial statements.

KIP UK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	90,401	47,830
Adjustments for:		
Depreciation of tangible assets	118,414	168,490
Profit on disposal of tangible assets	(1,971)	(9,607)
Taxation charge	-	(3,098)
(Increase)/decrease in stocks	(51,330)	1,390,790
(Increase)/decrease in debtors	(1,302)	598,435
Decrease in amounts owed by groups	89,110	41,511
Increase/(decrease) in creditors	181,840	(704,489)
Increase/(decrease) in amounts owed to groups	724,324	(2,622,668)
Net cash generated from operating activities	<u>1,149,486</u>	<u>(1,092,806)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(40,764)	(105,437)
Sale of tangible fixed assets	11,511	15,997
Net cash from investing activities	<u>(29,253)</u>	<u>(89,440)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,120,233</u>	<u>(1,182,246)</u>
Cash and cash equivalents at beginning of year	635,779	1,818,025
Cash and cash equivalents at the end of year	<u><u>1,756,012</u></u>	<u><u>635,779</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>1,756,012</u></u>	<u><u>635,779</u></u>

The notes on pages 10 to 25 form part of these financial statements.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies

1.1 General Information

KIP UK Limited ('the Company') is a private company limited by shares, incorporated in England and Wales. The address of its registered office and principal place of business is Stephenson Close, Drayton Fields, Daventry, Northamptonshire, NN11 8RF. Company number is 02217968.

The principal activity of the Company is selling large format digital equipment that has been imported into the UK, and in the main (though not exclusively) from other group companies.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the Company operates. Monetary amounts in these financial statements have been rounded to the nearest £.

1.2 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 judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have obtained support from the parent company that it will continue to provide support to the company to ensure it will continue as a going concern and can settle its liabilities as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets, other than land and freehold buildings, 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Motor vehicles	-	25% straight line
Fixture & fittings	-	20% - 33% straight line

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.

Depreciation is charged to administrative expenses in the Statement of Comprehensive Income.

1.6 Revaluation of tangible fixed assets

Individual freehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.7 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.8 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 on a first in, first out basis.

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.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.10 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.11 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 debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. 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 financed at a rate of interest that is not a market rate or in case of an out-right 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.11 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.

1.12 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.

1.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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.

1.14 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.15 Interest income

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

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

In applying the accounting policies, the directors have made critical accounting judgements, estimates and assumptions about the carrying amount of the assets and liabilities. These estimates and assumptions are based on historical experience and are reviewed on a continual basis.

The critical accounting judgements, estimates and assumptions that have a material effect on the amounts recognised in the financial statements for both the current and next financial years are discussed below.

Judgements

Slow and obsolete stock provisions are reviewed on a line by line basis and appropriate provisions are recorded as necessary.

All debtors are credit checked and receive credit rating reviews; debtors outside of their credit terms are provided for in bad debts.

Estimates

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Freehold property is carried at fair value. Revaluations are undertaken with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence, normally undertaken by professionally qualified valuers.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sale of large format digital equipment	7,260,724	9,441,196

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	886,352	1,106,454
Rest of Europe	5,562,760	7,139,489
Rest of the World	811,612	1,195,253
	<u>7,260,724</u>	<u>9,441,196</u>

4. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	118,414	168,490
Profit on sale of tangible fixed assets	(1,971)	(9,607)
Exchange differences	(1,996)	100,499
Operating lease rentals	64,992	64,442
Defined contribution pension cost	15,338	15,655

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	17,500	16,750
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation	3,100	3,500
All other services	4,328	12,353
	<u> </u>	<u> </u>

6. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	549,050	551,377
Social security costs	59,254	61,177
Cost of defined contribution scheme	15,338	15,655
	<u>623,642</u>	<u>628,209</u>

7. Employees

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

	2018 No.	2017 No.
	<u>20</u>	<u>21</u>

8. Key Management Personnel

There are no key management personnel except for the directors (2017: none).

The directors are not paid by this Company, they are remunerated by another company in the group.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Taxation

	2018 £	2017 £
Current tax on profits for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	(3,098)
Total deferred tax	<u>-</u>	<u>(3,098)</u>
Taxation on profit/(loss) on ordinary activities	<u>-</u>	<u>(3,098)</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	90,401	44,732
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	17,176	8,611
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,071	3,424
Capital allowances for year in excess of depreciation	912	1,923
Adjustments to brought forward values	7,600	-
Chargeable losses	-	(405)
Adjustment to rate of tax applied to deferred tax	(3,445)	(2,504)
Deferred tax not recognised	(29,477)	(22,051)
Transfer pricing adjustments	5,163	7,904
Total tax charge for the year	<u>-</u>	<u>(3,098)</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016 and therefore has also been considered when calculating deferred tax at the reporting date.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets

	Freehold property £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 January 2018	280,000	197,380	714,342	1,191,722
Additions	-	18,222	22,542	40,764
Disposals	-	(18,995)	(58,388)	(77,383)
At 31 December 2018	280,000	196,607	678,496	1,155,103
Depreciation				
At 1 January 2018	9,600	108,018	566,574	684,192
Charge for the year on owned assets	4,800	35,976	77,638	118,414
Disposals	-	(18,216)	(49,627)	(67,843)
At 31 December 2018	14,400	125,778	594,585	734,763
Net book value				
At 31 December 2018	265,600	70,829	83,911	420,340
At 31 December 2017	270,400	89,362	147,768	507,530

The freehold land and buildings were valued by a firm of independent chartered surveyors for the year ended 31 December 2015 at £280,000. In the opinion of the directors, the open market value of the existing use at this time continues to be £280,000.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2018 £	2017 £
Freehold	265,600	270,400
	<u>265,600</u>	<u>270,400</u>

Cost or valuation at 31 December 2018 is as follows:

	Land and buildings £
At cost	116,935
At valuation:	
31 December 2018	163,065
	<u>280,000</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	2017 £
Cost	116,935	116,935
Accumulated depreciation	(28,406)	(26,961)
Net book value	<u>88,529</u>	<u>89,974</u>

11. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>2,353,684</u>	<u>2,302,354</u>

Stock recognised in cost of sales during the year as an expense was £5,864,583 (2017: £7,908,082).

There were no impairments of stocks during the year (2017: none).

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Debtors

	2018 £	2017 £
Trade debtors	298,801	391,500
Amounts owed by group undertakings	604,290	693,400
Other debtors	84,452	7,806
Prepayments and accrued income	102,587	85,232
	<u>1,090,130</u>	<u>1,177,938</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,756,012</u>	<u>635,779</u>

14. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	250,239	178,273
Amounts owed to group undertakings	2,193,971	1,469,647
Other taxation and social security	14,944	14,259
Other creditors	225,528	114,943
Accruals and deferred income	1,360	2,756
	<u>2,686,042</u>	<u>1,779,878</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	1,756,012	635,779
Financial assets that are debt instruments measured at amortised cost	987,543	1,092,706
	<u>2,743,555</u>	<u>1,728,485</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,669,737)	(1,762,863)
	<u>(2,669,737)</u>	<u>(1,762,863)</u>

Financial assets measured at fair value through profit or loss comprises of cash and cash equivalents.

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

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertaking and other creditors.

16. Deferred taxation

	2018 £
At beginning of year	(9,731)
Charged to profit or loss	-
At end of year	<u>(9,731)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Freehold property revaluation	(9,731)	(9,731)

Of the deferred tax liability £nil is expected to be released over the next 12 months.

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Reserves**Revaluation reserve**

This reserve represents the cumulative revaluation gains on revaluation of land and buildings held as tangible assets.

Profit & loss account

This reserve represents cumulative profits and losses less dividends paid.

18. Share capital

	2018 £	2017 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
5,252,479 Ordinary shares of £1 each	5,252,479	5,252,479

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution and each share is entitled pari passu to participate in a distribution arising from a winding up of the company.

19. Pension commitments

The company contributes to a money purchase 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 £15,338 (2017: £15,655). Contributions totalling £2,708 (2017: £1,835) were payable to the fund at the year end and are included in creditors.

20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	61,831	64,261
Later than 1 year and not later than 5 years	129,343	191,174
	<u>191,174</u>	<u>255,435</u>

KIP UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Related party transactions

The company and group has taken advantage of the exemption available according with 'Section 33 'Related party disclosures' not to disclose transactions entered into between two or more members of a group that are wholly owned.

22. Controlling party

The immediate parent company is KIP America Inc. a company registered in United States of America and the ultimate parent company is Katsuragawa Electric Co. Ltd. a company registered in Japan.

The smallest group in which the company's consolidated results for the year end 31 December 2018 are consolidated is that head by KIP America Inc. The largest group in which the company's results are headed is by Katsuragawa Electric Co. Ltd. the consolidated financial statements of Katsuragawa Electric Co. Ltd are available at the registered office 21-3, Shiromaruko 4 - Chome, Ohta-ku, Tokyo, 146-8585 Japan.