

Company Registration No. 3715844

**NICHIRIN U.K. LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2019**



**REPORT AND FINANCIAL STATEMENTS 2019**

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## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

Hiroyuki Soga  
Toshihiro Nakamura  
Yoko Warburton

### **REGISTERED OFFICE**

Unit B  
Hibernia Way  
Stretford Motorway Estate  
Manchester  
M32 0ZD

### **BANKERS**

Barclays Bank plc  
Manchester City Office  
1<sup>st</sup> Floor  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3HF

Mizuho Corporate Bank Limited  
Bracken House  
One Friday Street  
London  
EC4M 9JA

Sumitomo Mitsui Banking Corporation  
Temple Court  
11 Queen Street  
London  
EC4N 4TA

### **SOLICITORS**

Naphens LLP  
St Andrew's House  
Wellington Street (St John's)  
Blackburn  
BB1 8DB

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
2 Hardman Street  
Manchester  
M3 3HF  
United Kingdom

## STRATEGIC REPORT

The directors, in preparing this report, have complied with s414c of the Companies Act 2006.

### BUSINESS REVIEW

The company's results for the current year are set out on page 8. Sales for the current year were £16,536,383 (2018: £20,265,934) which represents a £3,729,551 (18.4%) decrease, arising from production adjustments that our customers have implemented, primarily as a result of uncertainties surrounding Brexit, as well as sales reductions relating to diesel engines in response to diesel emission regulations.

The company's gross margin increased from 4.1% to 4.7% due to sales of higher margin motorcycle products (£451,307 more sales than in the prior financial year) and fewer sales of lower margin car brake hoses (£480,862 fewer sales than in the prior financial year). This has resulted in increasing operating profit from £123,407 in the prior year to £159,004 in the current year.

All companies in the Nichirin Group aim to manufacture products of the best quality with as much profit margin as is possible. This is enabled through effective engineering and manufacturing technology supplied by the parent company. This allows the Company to supply the best services to our customers in the most cost effective way.

In the current year, the routine audit for the TS 16949 certification, essential to be an authorised automotive supplier with critical components, has not found concerns with our process (2018: same).

Nichirin UK management monitor a number of the company's core KPIs throughout each year, comparing against business plans created at the start of the year. In 2019, sales were £16,536,383 (2018: £20,265,934; business plan: £18,182,052), operating profit was £159,004 (2018: £123,407; business plan: £14,771).

However, as described in the directors report, the company decided to cease manufacturing operations during the year resulting in asset impairments and provisions of £2,650,934, and therefore the overall results achieved in the year is a loss after tax of £2,357,904 (2018: profit after tax £106,799). The movement to a loss-making position is due to the recognition of a number of provisions as a result of the decision made to cease trading in the company.

### PRINCIPLE RISKS AND UNCERTAINTIES

The company has ceased trading by the date of issuing of these financial statements. As such, the principle risks and uncertainties facing the company have changed and relate primarily to the property lease remaining in the company.

Nichirin UK is actively planning to assign the property lease to which the company is legally obliged to pay until May 2024. There is a risk that the company is unable to assign this lease.

### FUTURE PLAN

The directors have provided details of the future strategic direction of the Company in the Directors' Report.

Approved and signed on behalf of the Board on 11th December 2020 and signed on its behalf by:



Y. Warburton  
Director

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 December 2019.

### PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture of hoses for the automotive industry.

After reviewing the group's global strategy in 2019, our sole shareholder, Nichirin Co. Ltd (Japan), decided that assembly operations would be ceased in the UK. The Nichirin group successfully negotiated with the group's customers in the U.K. and it was decided that European supply operations would be transferred to Nichirin Spain. Assembly operations ceased in July 2020, delayed by two weeks when compared to the group's original plan.

Despite ceasing production operations, the company continued to hold stock on the balance sheet after July 2020. This stock has enabled sales to continue being made to our customers, and this continued to the end of October 2020. The company has now ceased trading completely. Unsold inventory and the company's machines and equipment started being sold to Nichirin group companies from August 2020. The remaining items of tangible assets were sold before the end of October 2020.

With ongoing support from the Nichirin Group, the company expects to satisfy all the obligations and commitments including the lease of the assembly premise that expires in May 2024. The company's sales have fully ceased by the end of October 2020, and as such the directors have concluded these financial statements are to be prepared on a basis other than the going concern.

### GOING CONCERN

The company has ceased trading by the date of signing these financial statements. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date such as lease dilapidation.

### POST BALANCE SHEET EVENTS

As described above, the company ceased operations in October 2020, however the decision to cease assembly of products in the UK was made before the year end and therefore assets had been written down to their recoverable amount and appropriate provision made for related redundancies and onerous lease liabilities as at 31 December 2019. No further adjustments were required in the financial statements as a result of the decision to cease operations.

The COVID-19 global pandemic arose post the balance sheet date. It is considered to be a non-adjusting post balance sheet event. The onset of the pandemic is limited in terms of impact on the company's strategic outlook due to cessation of operations in October 2020.

There have been no other events since the balance sheet date that require disclosure or adjustment to the financial statements.

### DIRECTORS

The directors who served during the year and thereafter were as follows:

Hiroyuki Soga  
Toshihiro Nakamura  
Yoko Warburton

## DIRECTORS' REPORT

### DIRECTORS' INDEMNITIES

The company has not made qualifying third-party indemnity provisions for its directors in the current year (2018: same).

### RESULTS AND DIVIDENDS

The loss for the year before taxation was £2,487,120 (2018: £131,158 profit). The directors do not recommend the payment of a dividend (2018: £nil). The retained loss for the year of £2,357,904 (2018: £106,799 profit) has been transferred to the reserves.

### AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP are to resign as the company's auditors after the issuance of these financial statements. Walker Begley Limited have expressed their willingness to act as the company's auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board:



Y. Warburton

Director

11th December 2020

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual 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) including FRS102. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICHIRIN U.K. LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Nichirin U.K. Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 16.

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 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 Financial Reporting Council's (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.

#### Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

#### 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 respect of these matters.

#### 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICHIRIN U.K. LIMITED  
(continued)**

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

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**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 any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

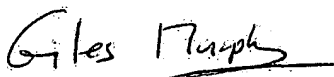
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

**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.



**Giles Murphy FCA (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
Manchester, United Kingdom  
11th December 2020

**NICHIRIN U.K. LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2019**

	Note	2019 £	2018 £
<b>TURNOVER</b>	3	16,536,383	20,265,934
Cost of sales		(15,759,509)	(19,432,571)
<b>GROSS PROFIT</b>		<u>776,874</u>	<u>833,363</u>
Administrative expenses		(617,870)	(709,956)
<b>OPERATING PROFIT</b>	5	159,004	123,407
Finance income	6	4,810	7,751
Redundancy provision	12	(1,031,936)	-
Lease provision and dilapidation provision	12	(1,555,725)	-
Asset impairment	8	(63,273)	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		<u>(2,487,120)</u>	<u>131,158</u>
Taxation credit / (expense)	7	129,216	(24,359)
<b>(LOSS) / PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>(2,357,904)</u></u>	<u><u>106,799</u></u>

The company has no recognised gains or losses in the current year or the preceding year other than those reported in the profit and loss account. Accordingly, no separate statement of comprehensive income has been presented.

**NICHIRIN U.K. LIMITED**

**BALANCE SHEET**  
**At 31 December 2019**

	Note	£	2019 £	£	2018 £
<b>FIXED ASSETS</b>					
Tangible assets	8		947,839		1,286,400
<b>CURRENT ASSETS</b>					
Stocks	9	2,198,634		2,651,336	
Debtors	10	2,236,656		3,103,127	
Cash at bank and in hand		<u>2,229,746</u>		<u>1,942,766</u>	
		6,665,036		7,697,229	
<b>CREDITORS: Amounts falling due within one year</b>					
	11	<u>(1,863,095)</u>		<u>(3,364,655)</u>	
<b>NET CURRENT ASSETS</b>					
			<u>4,801,941</u>		<u>4,332,574</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			5,749,780		5,618,974
<b>PROVISION FOR LIABILITIES</b>					
	12		<u>(2,587,661)</u>		<u>(98,951)</u>
<b>NET ASSETS</b>					
			<u>3,162,119</u>		<u>5,520,023</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		3,500,000		3,500,000
Profit and loss account			<u>(337,881)</u>		<u>2,020,023</u>
<b>SHAREHOLDER'S FUNDS</b>					
			<u>3,162,119</u>		<u>5,520,023</u>

The financial statements of Nichirin U.K. Limited, company number 3715844, were approved and signed on behalf of the Board of Directors on 11<sup>th</sup> December 2020 by:



Y. Warburton  
Director

**NICHIRIN U.K. LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**At 31 December 2019**

	<b>Called-up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 January 2018</b>	3,500,000	1,913,224	5,413,224
Profit for the financial year	-	106,799	106,799
<b>At 31 December 2018 and 1 January 2019</b>	3,500,000	2,020,023	5,520,023
Loss for the financial year	-	(2,357,904)	(2,357,904)
<b>At 31 December 2019</b>	<u>3,500,000</u>	<u>(337,881)</u>	<u>3,162,119</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

**Basis of accounting**

Nichirin U.K Limited is a private limited company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 3.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Nichirin U.K. Limited is considered to be Pound Sterling because that is the currency of the primary economic environment in which the Company operates.

Nichirin U.K. Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Nichirin U.K. Limited is consolidated in the financial statements of its parent, Nichirin Co. Limited. Exemptions have been taken in these separate company financial statements in relation to financial instruments, the presentation of a cash flow, remuneration of key management personnel and disclosure of related party transactions.

**Going concern**

The company's business activities, together with the directors' future plan of the company are set out in the Directors' Report.

During the year, the shareholder and the head office in Japan decided that Nichirin U.K. Limited was to cease its operations before the end of 2020 due to restructuring its global strategy in order to meet with the market change in Europe. Nichirin U.K. Limited ceased these operations in October 2020. Although the company has adequate resources to continue in meeting its financial obligations at least for 12 months from signing the Financial Statements, the Company has also received confirmation that financial support will continue to be provided by the ultimate parent company of the Nichirin Group if required. Due to the strategy change and plan to cease trading, the company prepared the annual financial statements on a basis other than going concern.

As a result of the decision to cease operations and to adopt a basis of preparation other than going concern, the company's has assessed the assets for impairment which have been written down to a net realisable value at the balance sheet date. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. Only the Construction In Progress assets are not depreciated and stated as net until the asset is built up to become useable as a Tangible Fixed Asset. The estimated useful economic lives are as follows:

Leasehold buildings	25 years (over life of lease)
Computer equipment	3 years
Fixtures, fittings, tools and equipment	3 – 10 years
Motor vehicles	5 years
Plant and machinery	10 years

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**1. ACCOUNTING POLICIES (continued)**

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, carriage, import duty and direct labour appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

**Turnover**

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

**Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Differences on exchange arising from this translation and otherwise are included in the profit and loss account.

**Pension costs**

The company operates defined contribution schemes covering the employees. The pension cost represents the contributions payable to the pension schemes in respect of the accounting period and is recognised in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**1. ACCOUNTING POLICIES (continued)**

**Cash flow statement**

The company is exempt from producing a cash flow statement, as it is a wholly owned subsidiary of Nichirin Co. Limited, a company incorporated in Japan. The consolidated financial statements are publicly available as stated in Note 16.

**Related party transactions**

The company is exempt from the requirement to disclose transactions and balances with other wholly owned subsidiaries of group undertakings of Nichirin Co. Limited, a company incorporated in Japan, under FRS 102.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not consider that the amounts recognised in the financial statements have been significantly affected by any critical judgements made in the process of applying the company's accounting policies.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Onerous lease provisions**

The company has recognised onerous lease and dilapidation provisions totalling £1,555,725, the company's lease obligations expire in May 2024 and key sources of estimation uncertainty relate to the cost of dilapidations on exiting the lease and assumptions on any income which could be generated in the future in the event that the premises can be sub-let. Amounts provided are included in note 12. Due to the uncertainty associated with such tax items, there is a possibility that, the final outcome may differ significantly. In the event that the company is able to sub-lease the premises, the onerous lease costs may be reduced.

**3. TURNOVER**

The turnover and profits result are all attributable to the provision of goods which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

	2019	2018
	£	£
Geographical analysis of turnover:		
UK	11,239,817	14,849,446
Rest of Europe	5,296,566	5,416,488
	<u>16,536,383</u>	<u>20,265,934</u>

**NICHIRIN U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2019 £	2018 £
<b>Directors' remuneration</b>		
Emoluments (including benefits in kind)	143,098	179,087

The emoluments of the highest paid director were £97,870 (2018: £75,916). One director (2018: one) is a member of the company pension scheme and £11,763 was paid in the year (2018 : £7,688).

	2019 £	2018 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,953,869	1,862,519
Social security costs	75,037	62,989
Pension costs	91,791	69,588
	<u>2,120,697</u>	<u>1,995,096</u>

	2019 No.	2018 No.
<b>Average number of persons employed (including directors)</b>		
Administration	5	5
Production	69	73
	<u>74</u>	<u>78</u>

**5. OPERATING PROFIT BEFORE TAXATION**

	2019 £	2018 £
Operating profit is stated after charging:		
Depreciation on owned assets	221,067	210,467
Cost of stock recognised as an expense	12,297,583	15,222,521
Loss on disposal of fixed assets	5,867	10,599
Gain on disposal of fixed assets	(11,184)	(1,316)
Rentals under operating leases		
Hire of plant and machinery	1,600	1,528
Other operating leases	229,250	210,500
Auditor's remuneration		
- fees payable for the audit of the company's annual financial statements	32,600	32,450
Non-audit fees		
- tax compliance services	9,595	10,175
Exchange rate (gain) / loss	(5,111)	83,304

**6. FINANCE INCOME**

	2019 £	2018 £
Bank interest receivable and similar income	<u>4,810</u>	<u>7,751</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**7. TAX ON PROFIT AND LOSS**

	2019	2018
	£	£
<b>Current tax</b>		
United Kingdom corporation tax	(30,265)	(7,475)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(110,592)	28,089
Arising from change in rate of tax	11,641	3,745
	(98,951)	31,834
Total tax (credit) / charge	(129,216)	24,359

	2019	2018
	£	£
Factors affecting the tax for the year:		
(Loss) / profit before tax	(2,487,120)	131,150
Tax (credit) / charge at 19% (2018: 19%) thereon	(472,553)	24,919
Other factors affecting the tax credit for the current year:		
Expenses not deductible for tax purposes	2,548	3,185
Rate difference	11,641	(3,745)
Deferred tax not recognised	359,413	-
Adjustment from previous periods	(30,265)	-
	(129,216)	24,359

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2019**

**8. TANGIBLE FIXED ASSETS**

	Leasehold buildings	Plant and machinery	Fixtures, Fittings, Tools & Equipment, Computers	Motor Vehicle	Assets under construction	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2019	484,997	3,109,363	611,895	10,400	93,378	4,310,033
Additions	-	36,018	14,901	-	-	50,919
Transfers	-	82,408	-	-	(82,408)	-
Disposals	-	(139,913)	(7,258)	-	-	(147,171)
At 31 December 2019	<u>484,997</u>	<u>3,087,876</u>	<u>619,538</u>	<u>10,400</u>	<u>10,970</u>	<u>4,213,781</u>
<b>Depreciation and Impairment</b>						
At 1 January 2019	355,929	2,127,924	532,080	7,700	-	3,023,633
Charge for the year	19,400	173,586	26,731	1,350	-	221,067
Impairment charge for the year	-	63,273	-	-	-	63,273
Disposals	-	(36,103)	(5,928)	-	-	(42,031)
At 31 December 2019	<u>375,329</u>	<u>2,328,680</u>	<u>552,883</u>	<u>9,050</u>	<u>-</u>	<u>3,265,942</u>
<b>Net book value</b>						
At 31 December 2019	<u>109,668</u>	<u>759,196</u>	<u>66,655</u>	<u>1,350</u>	<u>10,970</u>	<u>947,839</u>
At 31 December 2018	<u>129,068</u>	<u>981,439</u>	<u>79,815</u>	<u>2,700</u>	<u>93,378</u>	<u>1,286,400</u>

Impairment charge relates to net book value that will not be realised on sale of tangible assets to other group companies as a result of cessation of the company's trade.

**9. STOCKS**

	2019 £	2018 £
Raw materials and consumables	897,641	1,438,982
Work in progress	137,149	131,291
Finished goods and goods for resale	<u>1,163,844</u>	<u>1,081,063</u>
	<u>2,198,634</u>	<u>2,651,336</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade debtors	1,905,044	2,686,468
Other debtors	4,922	80,515
Prepayments and accrued income	198,157	268,140
Other taxes and social security	128,533	68,004
	<u>2,236,656</u>	<u>3,103,127</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade creditors	570,239	872,715
Amounts due to group companies	1,060,541	2,090,610
Accruals and deferred income	232,315	401,330
	<u>1,863,095</u>	<u>3,364,655</u>

Amounts owed to group companies are regular trade payables and are unsecured and free of interest charges.

**12. PROVISION FOR LIABILITIES**

	2019	2018
	£	£
Redundancy provisions	1,031,936	-
Deferred taxation provision	-	98,951
Lease and dilapidation provisions	1,555,725	-
	<u>2,587,661</u>	<u>98,951</u>

**i) Redundancy provisions**

	2019	2018
	£	£
Provision at start of year	-	-
Redundancy provisions	1,031,936	-
	<u>1,031,936</u>	<u>-</u>

The redundancy provision relates to anticipated costs associated with the decision to cease operations in the UK. It is expected that the majority of this expenditure will be incurred in the next financial year.

**NICHIRIN U.K. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**12. PROVISION FOR LIABILITIES (continued)**

<b>ii) Deferred taxation liability</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Provision at start of year	98,951	67,117
Charge for the year (note 7)	(98,951)	31,834
	<u>-</u>	<u>98,951</u>
The amounts provided are as follows:		
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Capital allowances in advance of depreciation	93,269	117,743
Short term timing differences	(93,269)	(18,792)
	<u>-</u>	<u>98,951</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017. Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2019 continue to be measured at 17%, the amended tax rate would not cause a significant change in the deferred tax asset. There have been no further changes to the corporation tax main rate in the subsequent Finance Bills including Finance (No.3) Bill 2017-19 which received Royal Assent on 12 February 2019.

Deferred tax assets amounting to £359,413 have not been recognised due to it not being probable that future taxable profits will be available against which tax losses can be utilised.

<b>iii) Lease and dilapidation provisions</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Provision at start of year	-	-
Provision for Onerous Lease	1,258,198	-
Provision for Dilapidation	297,527	-
	<u>1,555,725</u>	<u>-</u>

The onerous lease provision was determined using the expenses the company is contractually obliged to pay from November 2020 to May 2024 (Lease Termination Date) along with estimated future costs derived from historic payments for the service charges payable and business rates payable. Dilapidation provisions estimated as the amount payable to return the leasehold property to the state it was at the commencement of the lease term. It is expected that this expenditure will be incurred over the remaining lease term to May 2024.

**13. SHARE CAPITAL**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called-up and fully-paid</b>		
3,500,000 Ordinary shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2019**

**14. FINANCIAL COMMITMENTS**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and buildings 2019 £</b>	<b>Other 2019 £</b>	<b>Land and buildings 2018 £</b>	<b>Other 2018 £</b>
Expiry date:				
within one year	248,000	1,600	232,375	1,146
between 2 and 5 years	847,333	5,200	744,000	-
	<u>1,095,333</u>	<u>6,800</u>	<u>976,375</u>	<u>1,146</u>

The future minimum lease payments related to land and buildings are included in the lease provision (see Note 12).

**15. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS 102 *section* 33.1A in relation to disclosure of transactions with the group headed up by the parent company, Nichirin Co. Limited. The company has identified no further transactions, which need to be disclosed under the terms of FRS 102.

**16. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY**

The company's ultimate parent company is Nichirin Co. Limited, a company incorporated in Japan.

Nichirin Co. Limited is also the ultimate controlling party of Nichirin U.K. Limited and the largest and smallest group which includes the company and for which group financial statements are prepared.

Copies of the group's financial statements are available from its registered office, 98 Banchi 1, Edomachi, Chou-Ku, Kobe-City, Hyogo-Prefecture, Japan.