YKK (U.K.) Limited

Report and financial statements
31 March 2019

Table of contents

Corporate information

Directors	Anthony Reilly Toru Yamamoto
Auditors	Ernst & Young LLP, 2 St Peter's Square Manchester M2 3EY
Bankers	Barclays Bank PLC 3 Hardman Street Spinningfields Manchester M3 3HF
Registered office	Whitehouse Industrial Estate Runcorn Cheshire WA7 3BW

The directors present their strategic report for the year ended 31 March 2019.

Principal activities of the business

The principal activities of the company, with sales presence in Ireland and branches in Finland, Norway and Sweden, are the manufacture and distribution of fasteners. The Company has maintained its share of the United Kingdom market and expects to continue to do so over the next year.

Review of the business

The profit for the year, after taxation, is £420,308 (2018 - profit of £1,359,832).

Achievement of the key performance indicators is driven by business specific indicators.

The Company's key financial indicators during the current and previous year were as follows:

	2019	2018	Change
	£'000	£'000	%
Company turnover	30,564	28,678	+7%
Operating Profit	906	1,755	-48%
Profit after tax	420	1,360	-69%
Shareholders' funds / (deficit)	(1,137)	(206)	452%
Current assets as a % of current liabilities	341%	343%	-2%

Turnover increased by 7% against last year primarily due to increased demand for Hi-Tech zipper and extruded fastening products. However, Operating Profit has decreased against last year by 81%, this is predominantly due to transactions relating to the Defined Benefit pension scheme, namely Guaranteed Minimum Pension equalisation cost of £564k and Flexibility at Retirement exercise costs of £230k plus actuary fees, enhancement fees and Independent Financial Advisor fees.

Principal risks and uncertainties

The principal risk to the business relates to business performance.

The Company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

Competitive risks
The principal competitive risk relates to the probability of business being lost to other YKK sister companies in lower cost producing countries.

Financial instrument risks
The Company has established a risk and financial management framework, the primary objectives of which are to protect the group from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Legislative risks
The Company continues to ensure compliance with UK legislation and EU standards.

Foreign exchange risk
The Company is exposed to some foreign exchange risk in the normal course of business, principally on transactions with YKK sister companies.

Liquidity risk
The Company's ultimate parent company actively maintains a mix of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Credit risk
The company manages its credit risks by ensuring that deferred terms are only granted to customers who demonstrate significant credit worthiness.

Brexit risk
The main risk that the company faces is the implications on our import and export markets. During the year a team has been set up within the YKK Group, which includes members from YKK (U.K.) Ltd, to discuss the potential issues ahead and prepare as best as they can for Brexit.

Treasury policies

The Company finances its activities with internally generated working capital, including cash. Financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

The Company does not enter into interest rate swaps or forward currency contracts. The Company does not trade in financial instruments.

By order of the board

Anthony Reilly

Anthony Reilly

30 May 2019

Registered Number: 00893599

The directors present their report for the year ended 31 March 2019.

Directors of the company

The current directors are shown on page 1.

Dividends

The Company do not recommend a dividend for the year ended 31 March 2019 (2018: nil).

Research and development

The Company continues to develop new and innovative products in the fields of high function zip fasteners and specialist extruded products. These research and development costs are borne by another group company.

Future developments

The Company will continue to build on its re-invention strategy, constantly striving to create new products and build on the current customer base to drive forward and increase sales and profitability. The Company is also investing in additional plant and machinery over the next 12 months to increase productivity.

On 31 March 2017 YKK (UK) Limited acquired the trade and assets/liabilities of The New Zipper Company Limited. Prior to this, The New Zipper Company Limited was a 100% subsidiary of YKK (UK) Limited. Its business is the manufacture and distribution of one single product, the "BDM" sealed zipper, in various lengths and sizes.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk and its management objectives are described in the Strategic Report on page 2 and 3.

Foreign branches

The company has three branches located in Sweden, Norway and Finland which are sales offices for the North Europe region.

Financial instruments

Details of financial instruments are provided in the notes to the financial statements.

Going concern

The company reports Net Liabilities; this is due to the increase in the liability arising from the Defined Benefit pension liability. This liability is contractually guaranteed by the ultimate parent company. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Environmental matters

The directors are satisfied that the company is not engaged in any activities which would impact the environment.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the annual general meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board

Anthony Reilly

Anthony Reilly

30 May 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 those financial statements, the directors are required to:

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

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.

Opinion

We have audited the financial statements of YKK (U.K.) Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of other comprehensive income, the Statement of changes in equity and the related notes 1 to 19, 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 company's affairs as at 31 March 2019 and of its loss 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 below. 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.

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.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Julian Yates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
30 May 2019

YKK (U.K.) Limited

Profit and loss account- for the year ended 31 March 2019

	Notes	2019 £	2018 £
Turnover	2	30,564,175	28,678,278
Cost of sales		(21,826,496)	(19,869,058)
Gross profit		**8,737,679**	**8,809,220**
Distribution costs		(3,911,371)	(3,685,253)
Administrative expenses		(3,935,141)	(3,675,358)
Other operating income	6	14,974	306,639
Operating Profit	3	**906,141**	**1,755,248**
Profit / (Loss) on disposal of tangible assets		4,380	140
Profit / (Loss) on revaluation of investment properties		-	-
Profit on ordinary activities before investment income, interest and taxation		**910,521**	**1,755,388**
Income from investments in subsidiaries		261,939	377,725
Bank interest receivable		14,775	5,702
Other finance costs	7	(531,000)	(567,000)
Profit on ordinary activities before taxation		**656,235**	**1,571,815**
Tax on profit on ordinary activities	8	(235,927)	(211,983)
Profit for the financial year		**420,308**	**1,359,832**

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continued operations.

YKK (U.K.) Limited

Statement of other comprehensive income- for the year ended 31 March 2019

	Notes	2019 £	2018 £
Profit for the financial year		**420,308**	**1,359,832**
Exchange difference on translation of overseas branches		(63,453)	204,452
Remeasurement (loss) / gain recognised on defined benefit pension scheme	15	(1,287,474)	374,807
Total other comprehensive income / (loss)		**(1,350,927)**	**579,259**
Total other comprehensive income / (loss) of the year		**(930,619)**	**1,939,091**

Statement of changes in equity- for the year ended 31 March 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2017	**1,000,000**	**(3,145,282)**	**(2,145,282)**
Profit for year	-	1,359,832	1,359,832
Other comprehensive income	-	579,259	579,259
Total comprehensive loss for the year	-	1,939,091	1,939,091
At 31 March 2018	**1,000,000**	**(1,206,191)**	**(206,191)**
Profit for year	-	420,308	420,308
Other comprehensive loss	-	(1,350,927)	(1,350,927)
Total comprehensive income for the year	-	(930,619)	(930,619)
At 31 March 2019	**1,000,000**	**(2,136,810)**	**(1,136,810)**

YKK (U.K.) Limited

Balance sheet - at 31 March 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	9	7,499,284	6,934,314
Investments:	10		
Investments in subsidiaries		193,564	193,564
		7,692,848	**7,127,878**
Current assets			
Stocks	11	4,959,390	4,531,487
Debtors	12	8,420,813	6,197,633
Cash at bank and in hand		5,057,721	8,010,273
		18,437,924	18,739,393
Prepayments and accrued income		429,076	407,737
		18,867,000	19,147,130
Creditors: amounts falling due within one year	13	(4,714,572)	(4,849,933)
Net current assets		**14,152,428**	**14,297,197**
Total assets less current liabilities		**21,845,276**	**21,425,075**
Accruals and deferred income		(817,086)	(739,266)
Net assets excluding pension liability		**21,028,190**	**20,685,809**
Defined benefit pension liability	15	(22,165,000)	(20,892,000)
Net assets / (liabilities)		**(1,136,810)**	**(206,191)**
Capital and reserves			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account		(2,136,810)	(1,206,191)
		(1,136,810)	**(206,191)**

The notes 1 to 19 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on 30 May 2019 and were signed on behalf of the board.

Anthony Reilly

Anthony Reilly
Director
30 May 2019

1. Accounting policies

(a) Statement of compliance

YKK (U.K.) Limited ('the Company") is a limited liability company in the United Kingdom. The Registered Office is Whitehouse Industrial Estate, Runcorn, Cheshire WA7 3BW.

The Company's financial statements have been prepared in compliance with the "Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) as it applies to the financial statements of the company for the year ended 31 March 2019.

(b) Basis of preparation and change in accounting policy

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards. The financial statements of the company were authorised for issue by the Board of Directors on 30 May 2019. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £. The Company's presentation currency is same as its functional currency.

The company reports Net Liabilities; this is due to the liability arising from the Defined Benefit pension liability. This liability is contractually guaranteed by the ultimate parent company. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The accounting policies which follow in note 1 (e) set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

(c) Disclosure exemptions

The Company has taken advantage of the following disclosure exemption under FRS 102:

- The requirement to prepare a statement of cash flows. (Section 7 of FRS 102 and p3.17(d))
- The requirement to prepare a reconciliation of the number of shares outstanding at the beginning and end of the period. [FRS 102 p4.12(a)(iv)]
- Certain financial instrument disclosures, providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. In addition the company law disclosures are still required
- The non-disclosure of key management personnel compensation in total.
- The exemption available under FRS 102 1.11 and 1.12 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

Group financial statements

The Company and all of its subsidiary undertakings are included in group financial statements for a larger group, YKK Corporation, Japan, drawn up to the same date in the same financial year and those financial statements are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to group financial statements and group annual reports so drawn up. Accordingly the company, in accordance with the exemption in section 401 of the Companies Act 2006, has not prepared the group financial statements.

(d) Judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the company's judgements (apart from those involving estimates) and key sources of estimation uncertainty:

Operating lease commitments- Company as lessor

The Company has entered into the lease of floor space within its factory. The Company has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a substantial portion of the economic life of property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased property, and accounts for the contracts as operating leases.

Measurement of pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates country. Further details are given in note 15.

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

(d) Judgement and key sources of estimation uncertainty (continued)

Estimation of useful life of tangible assets

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the profit and loss account. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology.

(e) Significant accounting policies

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the tangible assets if the recognition criteria are met and costs of dismantling and removing the asset. When significant parts of tangible assets are required to be replaced at intervals, the company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of tangible assets other than freehold land is depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Freehold land and building - 30 years
- Long leasehold property - 30 years or over the remaining useful life of the lease (if shorter)
- Other assets - 3 to 8 years

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

(e) Significant accounting policies (continued)

Investment properties

Certain of the company's properties are held for long-term investment. Investment properties are accounted for as follows:

- Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.
- Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve.

Investments in subsidiaries

Investments in subsidiaries are held at historical cost. The company review at each reporting date whether the investments in subsidiaries might be impaired.

Financial instruments

(i) Financial assets

Basic financial assets, including debtors, amounts due by group undertakings, cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At 31 March 2019, the company had only financial assets classified as basic financial instruments.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including creditors and amounts owed to group undertakings are initially recognised at transaction price. At 31 March 2019, the company had only financial liabilities classified as basic financial liabilities.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Prepayments and accrued income

Prepayments comprise payments made in advance relating to the following year, and income relating to the current year which will not be received until after the balance sheet date (such as interest receivable on loans or deposits). Prepayments are recognised at the transaction price.

(e) Significant accounting policies (continued)

Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year which will not be paid until after the balance sheet date and income received in advance, relating to the following year. Accruals and deferred income are recognised at the transaction price.

Stocks

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

Raw materials, consumables and goods for resale	-	purchase cost on a weighted average basis
Work in progress and finished goods	-	Cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price.

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the average exchange rate ruling at the date of transaction. An average rate has been used which is deemed to be a reasonable approximation of the actual rate at the date of the transaction as exchange rates have not fluctuated significantly. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(e) Significant accounting policies (continued)

Foreign currencies (continued)

The assets and liabilities of overseas branches are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at average exchange rates. An average rate has been used which is deemed to be a reasonable approximation of the actual rate at the date of the transaction as exchange rates have not fluctuated significantly. All resulting exchange differences are recognised in other comprehensive income.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, other than contingent rentals, are recognised as an expense in the income statement on a straight line basis over the lease term, including the effect of lease incentives.

(e) Significant accounting policies (continued)

Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Pensions

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost which is nil in this case as the scheme has closed to accrual) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised immediately if the benefits have vested however there are no past service costs for the year ending 31 March 2019. When a settlement or a curtailment occur the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined benefit pension asset or liability in the balance sheet comprises the total for the plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The company also has a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period in which they become payable.

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of VAT.

Turnover is attributable to the company's continuing activities, the manufacture and distribution of fasteners. The company has sales presence in Ireland and branches in Finland, Norway and Sweden.

No disclosure by reference to geographical markets is given as, in the opinion of the directors; this would be seriously prejudicial to the interests of the company.

3. Operating profit

This is stated after charging:

	2019	2018
	£	£
Depreciation of owned assets (note 9)	1,123,589	1,088,623
Total depreciation and impairment charge	1,123,589	1,088,623
Operating lease rentals - land and buildings	107,989	43,376
- others	61,051	37,661
Auditors' remuneration (note 4)	42,050	39,800

4. Auditor remuneration

The remuneration of the auditors' is further analysed as follows:

	2019	2018
	£	£
Audit of the financial statements	42,050	39,800
Total audit	**42,050**	**39,800**

5. Staff costs

		2019	2018
		£	£
(a)	Staff costs		
	Wages and salaries	6,626,570	5,705,963
	Social security costs	529,218	517,395
	Other pension costs	1,096,115	295,323
		8,251,903	**6,518,681**

5. Staff costs (continued)

The average number of employees (including directors) employed by the company during the year by activity, was as follows:

	2019	2018
	Number	Number
Administration	29	28
Production, distribution and sales	140	124
	169	**152**

		2019	2018
		£	£
(b)	Director's remuneration Aggregate remuneration in respect of qualifying services	157,878	192,326
		157,878	**192,326**

	2019	2018
Number of directors accruing benefits under defined benefit schemes	-	-

	2019	2018
	£	£
In respect of highest paid director:		
Aggregate remuneration	157,878	192,326
	157,878	**192,326**

6. Other operating income

	2019	2018
	£	£
Rental income	201,456	202,083
Foreign Exchange (loss) / gain	(202,149)	77,059
Other	15,667	27,497
	14,974	**306,639**

7. Other finance costs

	2019	2018
	£	£
Interest on net defined benefit pension liability	531,000	567,000
	531,000	**567,000**

8. Tax

(a) Tax on profit on ordinary activities

	2019	2018
	£	£
The tax charge is made up as follows:		
Current tax:		
UK Corporation Tax at 19%	175,425	286,968
Tax overprovided in previous years	26,417	(80,336)
	201,842	206,632
Double tax relief	(136,608)	(224,852)
	65,234	(18,220)
Foreign Tax	175,630	227,852
Foreign Tax prior (under) / over provisions	(4,937)	2,351
Total Current Tax	235,927	211,983
Tax on profit on ordinary activities (note 8(b))	235,927	211,983

(b) Factors affecting the current tax charge:
The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19 %). The differences are reconciled as below:

	2019	2018
	£	£
Profit on ordinary activities before tax	656,235	1,571,815
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2018: 19 %)	124,685	298,645
Fixed asset differences	38,192	45,245
Expenses not deductible for tax purposes	108,852	75,850
Non-taxable income in the form of UK and overseas dividend	(49,768)	(49,231)
Excess foreign tax on overseas income	39,022	3,000
Adjustments to tax charge in respect of previous periods	21,480	(77,985)
Deferred tax rate adjustment	(4,898)	(8,590)
Deferred tax not recognised	(41,638)	(73,014)
Other tax adjustments	-	(1,937)
Total tax expense	**235,927**	**211,983**

8. Tax (continued)

(c) Factors that may affect future tax charges:
Deferred tax assets have not been recognised due to uncertainty over their recoverability in the future.

The current rate of corporation tax is 19%. The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015 set the corporation tax rates for financial years 2017-2019 at 19 percent. On 6 September 2016, the 2016 Finance Bill was substantively enacted. This Bill includes provision for the corporation tax rate to be reduced to 17 percent from 1 April 2020.

The effect on the company of these proposed changes to the UK tax system will be reflected in the company's financial statements in future years as appropriate.

The deferred tax asset not recognised is as follows:

	2019	2018
	£	£
Accelerated capital allowances	(15,989)	(43,074)
Tax losses	632,886	674,398
Pension scheme liability	3,768,050	3,551,640
Other timing differences	14,447	10,114
	4,399,394	**4,193,078**

9. Tangible assets

	Land and buildings	Plant and machinery	Total
	£	£	£
Cost or valuation:			
At 1 April 2018	12,326,583	19,782,103	32,108,686
Exchange adjustment	-	13,195	13,195
Additions	7,520	1,724,309	1,731,829
Disposals	-	(44,192)	(44,192)
At 31 March 2019	12,334,103	21,475,415	33,809,518
Depreciation:			
At 1 April 2018	9,295,742	15,878,630	25,174,372
Exchange adjustment	-	13,195	13,195
Provided during the year	177,904	945,685	1,123,589
Disposals	-	(922)	(922)
At 31 March 2019	9,473,646	16,836,588	26,310,234
Carrying amount:			
At 31 March 2019	**2,860,457**	**4,638,827**	**7,499,284**
At 1 April 2018	3,030,841	3,903,473	6,934,314

The carrying amount of land and buildings comprise:

	2019	2018
	£	£
Investment properties at fair value:		
Long leasehold (over 50 years unexpired)	627,760	627,760
Freehold land and buildings	170,000	170,000
Other properties at cost:		
Freehold land and buildings	2,062,697	2,233,081
	2,860,457	**3,030,841**

A valuation of the long leasehold investment property was carried out as at 31 March 2019 by PAL Real Estate Consultancy Limited. The valuation was done by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

A valuation was also carried out on the freehold land and buildings as at 31 March 2019 by Swetenhams, which confirmed no significant change in value.

9. Tangible assets (continued)

The historical cost of investment property included at fair value is £563,311 (2018 £563,311).

No capital gains tax would be expected to arise on a disposal of the investment properties if they were sold at the valuation shown as any gain could be offset against available tax losses.

Movement in the fair value of investment properties are as follows:

	2019	2018
	£	£
Fair value:		
At 1 April	627,760	627,760
Uplift on valuation	-	-
At 31 March	**627,760**	**627,760**

The critical assumptions made relating to the valuation is set out below:

- The property has been constructed in full compliance with planning permission and building and fire regulations.
- The property has no structural defects and is not contaminated by environmental contamination.
- Purchaser's costs of 8.46% in relation to the long leasehold investment property has been reflected in the valuation and the valuation reduced by this amount to reflect the net price that would appear in the hypothetical sale contract.

10. Investments in subsidiaries

	Subsidiary undertaking
	£
Opening value at 1 April 2018	193,564
Dividend return of capital	-
Closing balance at 31 March 2019	**193,564**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of the company	**Holding**	**Proportion of ordinary shares held**	**Nature of business**
YKK Denmark A/S	Ordinary shares	50%	Zip assembly and sales

As YKK (U.K.) Limited has responsibility for management and policy decisions of YKK Denmark A/S that company is classified as a subsidiary undertaking.

11. Stocks

	2019	2018
	£	£
Raw material and consumables	2,097,379	2,284,841
Work in progress	680,137	555,816
Finished goods and goods for resale	1,700,258	1,368,781
Goods in transit	481,616	322,049
	4,959,390	**4,531,487**

The difference between the purchase price of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £14,061,937 (2018 - £13,773,853).

12. Debtors

	2019	2018
	£	£
Trade debtors	7,332,808	3,044,199
Amounts owed by group undertakings	546,711	2,856,052
Other debtors	385,945	171,911
Corporation tax	155,349	125,471
	8,420,813	**6,197,633**

Outstanding balances with group undertakings are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 March 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2018 - nil).

13. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,114,792	1,155,122
Amounts owed to group undertakings	2,946,161	3,106,449
Other taxes and social security costs	353,963	313,540
Other creditors	299,656	274,822
	4,714,572	**4,849,933**

Outstanding balances with group undertakings are unsecured, interest free and cash settlement is expected within 60 days of invoice.

14. Called up share capital

	2019	2018
	£	£
Allotted, called up and fully paid:		
1,000,000 (2018 - 1,000,000)		
Ordinary shares of £1 each	1,000,000	1,000,000
	1,000,000	**1,000,000**

15. Pensions

The Company operates a pension scheme covering 36 of its UK employees. YKK (U.K.) Limited is the scheme's principal employer, but the scheme also includes YKK Europe Limited as a participating employer. Accounting for the pension scheme has been dealt with by YKK (U.K.) Limited because the underlying assets and liabilities of the scheme cannot be separated. The scheme is a managed fund with contributions paid by both the participating employers and the employees.

A full actuarial valuation was carried out in April 2016, and updated to 31 March 2019 by a qualified independent actuary.

A bulk "Flexibility at Retirement" exercise offering an enhanced transfer value was implemented during the accounting period with the majority of transfer values paid over the period from April to June 2018. The impact of this exercise (measured at 31 May 2018) has been recognised as a settlement loss of £230,000 in the profit and loss for the year ending 31 March 2019.

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The impact of this has been measured at 31 March 2019 and recognised as a past service cost of £564,000 in the profit and loss for the year ending 31 March 2019.

This has been treated as a Plan amendment as it's a change to the defined benefit plan brought out by a legal ruling. The ruling has provided some guidance on related matters, including the methods for equalisation and an allowance has been estimated based on average impacts for schemes with similar service periods and benefit structures.

15. Pensions (continued)

The assets and liabilities of the schemes at 31 March are:

	2019	2018
	£'000	£'000
Scheme assets at fair value		
Equities	8,872	10,382
Bonds	6,483	6,882
Properties	2,025	6,243
Cash	175	240
Diversified Growth Funds	4,254	-
Fair value of scheme assets	**21,809**	**23,747**
Present value of defined benefit obligation	43,974	44,639
Deficit in plan	**(22,165)**	**(20,892)**

The pension plans have not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

The pension fund has been guaranteed by the company's ultimate parent undertaking, YKK Corporation.

The amounts recognised in the profit and loss account and in the statement of other comprehensive income for the year are analysed as follows:

	2019	2018
	£	£
Recognised in the Profit and loss account		
Net interest cost	531	567
Losses / (gains) on settlements	230	-
Losses / (gains) due to GMP past service cost	564	-
Total recognised in the Profit and loss account	1,325	567

	2019	2018
	£'000	£'000
Recognised in other comprehensive income		
Return on plan assets	1,235	136
Other actuarial gains and losses	(2,522)	239
Total recognised in other comprehensive income	(1,287)	375

15. Pensions (continued)

Main assumptions

	2019	2018
	%	%
Rate of increase in pensions in payment	3.1	3.1
Discount rate	2.3	2.6
Inflation assumption	3.3	3.2
Post-retirement mortality	100% S2PxA CMI_2017 (1.00%)	100% S2PxA CMI_2017 (1.00%)
Current pensioners at 65 – male	21.8	21.8
Current pensioners at 65 – female	23.7	23.7
Future pensioners at 65 – male	22.9	22.8
Future pensioners at 65 – female	25.0	24.9

Changes in the present value of the defined benefit obligations are analysed as follows:

	£'000
As at 1 April 2018	44,639
Interest cost	1,063
Benefits paid	(749)
Actuarial losses	2,522
Liabilities extinguished on settlements	(4,065)
Losses due to GMP equalisation	564
As at 31 March 2019	**43,974**

This defined benefit scheme is a funded defined benefit arrangement.

Changes in the fair value of plan assets are analysed as follows:

	£'000
As at 1 April 2018	23,747
Actuarial gains	1,235
Interest income	532
Employer contributions	1,339
Benefits paid	(749)
Assets distributed on settlements	(4,295)
As at 31 March 2019	**21,809**

16. Guarantees

The Company is party to an agreement whereby it provides a guarantee limited to £500,000 (2018 - £500,000) on behalf of certain fellow group companies' bank facilities including right of set off in respect of bank balances under a composite accounting agreement. The Directors do not expect any liability to arise under this guarantee. At the end of the year none of the companies whose facilities are guaranteed were overdrawn.

17. Obligations under lease contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019		2018	
	£	£	£	£
Operating leases which expire:	*Land and buildings*	*Other*	*Land and buildings*	*Other*
Within one year	115,264	65,715	111,401	47,488
In two to five years	147,737	81,452	201,207	119,343
After five years	-	-	-	-
	263,001	**147,167**	**312,608**	**166,831**

The company had no other off balance sheet arrangements.

18. Related party transactions

During the year the company entered into transactions with related parties, in the ordinary course of business. Trading balances outstanding at 31 March 2019 are as follows:

	2019	*2018*
Amounts owed from related party:	£	£
Holding companies	66,424	834
Fellow subsidiaries	2,447,629	2,112,003
	2,514,053	2,112,837

	2019	*2018*
Amounts owed to related party:	£	£
Holding companies	130,625	137,071
Fellow subsidiaries	657,676	712,676
	788,301	849,747

Terms and conditions of transactions with related parties

Outstanding balances with entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 March 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2018 - nil).

The Company has taken advantage of the exemption under paragraph 33.1a of FRS102 not to disclose transactions with fellow wholly owned subsidiaries.

19. Parent companies and controlling parties

The immediate parent undertaking is YKK Holding Europe BV, a company incorporated in Holland, which does not prepare group financial statements.

The smallest and largest group of undertakings for which company financial statements are prepared and of which the company is a member is YKK Corporation, a company incorporated in Japan and which is considered to be the company's ultimate parent undertaking and controlling party.

Copies of the group financial statements of YKK Corporation are available from 1, Kanda Izumi-cho, Chiyoda-ku, Tokyo 101, Japan.