

Company registration number 02159382 (England and Wales)

SANKO GOSEI UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

SANKO GOSEI UK LTD

COMPANY INFORMATION

Directors	H Aoki	
	W Ash	
	K Badics	(Appointed 26 September 2023)
	D Hughes	
	A Kusumi	
	L P Tabner	
Secretary	K M Houghton	
Company number	02159382	
Registered office	15/17 Seddon Place Stanley Industrial Estate Skelmersdale Lancashire WN8 8EB	
Auditor	Mitchell Charlesworth (Audit) Limited 3rd Floor 5 Temple Square Temple Street Liverpool L2 5RH	

SANKO GOSEI UK LTD

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SANKO GOSEI UK LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2023

The directors present the strategic report for the year ended 31 May 2023.

Objectives

The company's objectives are to continue to increase the turnover and profitability of the business and provide a good return to its shareholder.

Strategy

The company is working hard to maintain current business with existing customers, and at the same time they are generating new work with other automotive manufacturers such as Kostal, Eissmann and others.

Sanko UK has been successful in obtaining business outside of the automotive sector.

The company continues to win new work from existing customers as well as attracting new customers both within the automotive sector and the wider moulding industry.

Now the new paint facility is established and supplying customers we are strongly engaged in developing this new business sector for the company.

At the end of the financial year 31 May 2023 the company had a strong Balance Sheet meeting all its current and expected obligations giving customer confidence for future business opportunities.

Principal risks and uncertainties

The automotive market continues to face the ongoing challenges of the global shortage of semiconductors (although this appears to be easing in recent months) and like other manufacturing industries experiencing significant shortages in labour.

There is a global change within the automotive industry as the world moves to Electric Vehicles. There is risk that the UK will be left behind with regard to both vehicle manufacturing plants and the supporting industry for battery production.

Performance during the year

The company's turnover increased on the previous year due to our customers meeting increased demand from their customers and replenishing stocks now that the impact of the global shortage of semiconductors has eased.

Costs have increased due to raw material prices, energy costs and labour wage inflation but these costs have been offset by price negotiations.

Position at the end of the year

The company anticipates that turnover will increase in the next FY due to new business with both existing customer (new model introductions) and new customers.

However, the company does not expect to see an increase in profit before tax due to costs incurred as the paint facility becomes fully operational.

Key performance indicators

The directors monitor the performance of the company against an annual budget, monitoring key performance indicators to ensure they are within acceptable parameters. Indicators include:

- Gross margins (2023: 13.1%, 2022: 13.2%)
- Operating Profit % (2023: 5.4%, 2022: 1.9%)
- Headcount v Plan
- Capital expenditure v Plan

SANKO GOSEI UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Section 172 statement

The directors are fully aware of and have considered the matters set out in Section 172 (a) to (f) of the Companies Act 2016 when performing their duty to promote the success of the company for the benefit of its members and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conducts,
- the need to act fairly as between members of the company.

The board understands the views of all stakeholders and have taken into account the matters set out in Section 172 (a) to (f) of the Companies Act 2016 in board discussions and when making key decisions in order to act in the interests of all shareholders and to make sure all stakeholder are treated fairly.

The following examples explain how the directors fulfil their duties in respect of these matters.

Employees

The company is committed to being a reasonable employer. Our behaviour is aligned with the expectations of our employees in addition to wider society. Our people are at the heart of our business. In order to succeed, we manage and support their performance, we do this primarily through our in-house training programs to ensure we are supporting the next generation of talent.

Business relationships

Customer centricity is at the heart of our company strategy. To realise this objective, we need to develop and maintain strong relationships with our customer base and provide the best possible service that we can. We value all our suppliers, and work closely with our critical suppliers.

Community and environment

The company's strong commitment to sustainability is central to our values, we are significantly involved in R&D in the pursuit of next generation technologies in order to reduce raw material usage.

We also encourage our employees in their efforts to provide valuable support to our local communities through volunteer work.

Communication

The directors are committed to openly engaging with the group management team. The parent company strategy and values are explained clearly and regularly, with feedback heard and considered.

On behalf of the board

W Ash
Director

27 February 2024

SANKO GOSEI UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2023

The directors present their annual report and financial statements for the year ended 31 May 2023.

Principal activities

The principal activity of the company continued to be that of the manufacture of plastic injection moulded parts for the automotive industry.

Results and dividends

The profit for the year, after taxation, amounted to £1,760,731 (2022: £323,471).

Ordinary dividends were paid amounting to £150,000 (2022: £900,000). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Ando	(Appointed 1 November 2022 and resigned 1 April 2023)
H Aoki	
W Ash	
K Badics	(Appointed 26 September 2023)
D Hughes	
A Kusumi	
Y Shibata	(Resigned 1 April 2023)
L P Tabner	

None of the directors who held office during the year had any disclosable interests in the shares of the company.

Financial instruments

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by preparing cash flow forecasts to ensure it has the sufficient cash reserves to meet the cash outflows as they fall due.

Interest rate risk

The company does not have any third party borrowings or a bank overdraft; therefore, it is not exposed to any material interest rate risk

Currency risk

The company is exposed to foreign currency transaction risk. In order to mitigate this risk, the company will match the transactions in that if it is making a sale in a foreign currency, it will try to ensure that the corresponding purchases are also made in that currency. In addition, the company uses NatWest's Money Market Facility to ensure that it can get the best rate available when settling the outstanding transactions.

Finally, if there is a long-term contract in a foreign currency, then the company will use foreign currency derivatives to manage foreign currency exposure and fix the prices that it will receive from the contract.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash balance is limited and the principal credit risk arises from its trade debtors. In order to manage this credit risk, the majority of customers are large well-known companies within the automotive industry who operate on a self-bill basis which significantly reduces the credit risk

SANKO GOSEI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Research and development

The company is committed to a continuing program of R&D both with our parent company, customers and suppliers. This R&D involves development of new technologies and exchange of technical information. An example of this: currently the company is actively working with institutions such as Warwick University on new technology projects.

Business relationships

The company has a strong working relationship with customers and suppliers. This opinion is supported by the fact that the company has long term relationships with most of its customers, suppliers and its employees.

Future developments

A business review and future developments impacting the company are disclosed in the Strategic Report on page 1 to 2.

Statement of directors' responsibilities

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). 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;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SANKO GOSEI UK LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

Qualifying third party indemnity provisions

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and offices' liability insurance policy were maintained throughout the financial period and up to the date of signing these financial statements.

On behalf of the board

W Ash
Director

27 February 2024

SANKO GOSEI UK LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SANKO GOSEI UK LTD

Opinion

We have audited the financial statements of Sanko Gosei UK Ltd (the 'company') for the year ended 31 May 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

SANKO GOSEI UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SANKO GOSEI UK LTD

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 the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- the results of our enquiries of management of their own identification of and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud

SANKO GOSEI UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SANKO GOSEI UK LTD

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

(i) The presentation of the Statement of Comprehensive Income, (ii) the accounting policy for revenue recognition (iii) understatement of creditors and (iv) Stock valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations described above as having a direct effect on the financial statements;
- enquiring of management and directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of board meetings and reviewing correspondence with relevant authorities where matters identified were significant;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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

Michael Buxton

Senior Statutory Auditor

For and on behalf of Mitchell Charlesworth (Audit) Limited

27 February 2024

Accountants

Statutory Auditor

3rd Floor
5 Temple Square
Temple Street
Liverpool
L2 5RH

SANKO GOSEI UK LTD**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 MAY 2023**

		2023	2022
	Notes	£	£
Turnover	3	41,048,291	27,336,485
Cost of sales		(35,653,474)	(23,717,431)
Gross profit		5,394,817	3,619,054
Administrative expenses		(3,312,789)	(3,239,654)
Other operating income		123,850	143,813
Operating profit	4	2,205,878	523,213
Interest receivable and similar income	7	16,532	7,466
Interest payable and similar expenses	8	(3,705)	(7,102)
Amounts written off investments	9	(1,291)	-
Profit before taxation		2,217,414	523,577
Tax on profit	10	(456,683)	(200,106)
Profit for the financial year		1,760,731	323,471

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SANKO GOSEI UK LTD

BALANCE SHEET

AS AT 31 MAY 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	13		6,915,935		7,596,390
Investments	14		557,950		559,241
			<u>7,473,885</u>		<u>8,155,631</u>
Current assets					
Stocks	16	2,542,646		1,800,115	
Debtors	17	12,623,600		8,204,427	
Cash at bank and in hand		3,423,170		3,543,992	
		<u>18,589,416</u>		<u>13,548,534</u>	
Creditors: amounts falling due within one year	18	<u>(9,892,653)</u>		<u>(7,116,533)</u>	
Net current assets			<u>8,696,763</u>		<u>6,432,001</u>
Total assets less current liabilities			<u>16,170,648</u>		<u>14,587,632</u>
Creditors: amounts falling due after more than one year	19		(86,897)		(93,931)
Provisions for liabilities					
Deferred tax liability	20	701,639		722,320	
		<u>701,639</u>	<u>(701,639)</u>	<u>722,320</u>	<u>(722,320)</u>
Net assets			<u>15,382,112</u>		<u>13,771,381</u>
Capital and reserves					
Called up share capital	22		6,000,000		6,000,000
Profit and loss reserves			9,382,112		7,771,381
Total equity			<u>15,382,112</u>		<u>13,771,381</u>

These financial statements have been prepared in accordance with the provisions relating to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 27 February 2024 and are signed on its behalf by:

W Ash
Director

Company registration number 02159382 (England and Wales)

SANKO GOSEI UK LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2023

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 June 2021		6,000,000	8,347,910	14,347,910
Year ended 31 May 2022:				
Profit and total comprehensive income for the year		-	323,471	323,471
Dividends	11	-	(900,000)	(900,000)
Balance at 31 May 2022		6,000,000	7,771,381	13,771,381
Year ended 31 May 2023:				
Profit and total comprehensive income for the year		-	1,760,731	1,760,731
Dividends	11	-	(150,000)	(150,000)
Balance at 31 May 2023		6,000,000	9,382,112	15,382,112

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

Company information

Sanko Gosei UK Ltd is a company limited by shares and incorporated in England and Wales. Registered number: 02159382. Its registered head office is located at 15/17 Seddon Place, Stanley Industrial Estate, Skelmersdale, Lancashire, WN8 8EB

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Sanko Gosei limited. These consolidated financial statements are available from its registered office, 1200 Habushin Nanto-City, Toyama, Japan.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

(Continued)

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), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other income relates to receipt of government funding in relation to the job retention scheme (also known as furlough). The income is recognised over the period to which it relates and when it is highly probable the income will be received without a significant reversal expected.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs

All intangibles are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings

by equal installments over 25 years

Plant and equipment

20% to 25% reducing balance

Fixtures and fittings

25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

(Continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

1 Accounting policies

(Continued)

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic life of tangible fixed assets

The useful economic life of tangible fixed assets is assessed based on the class of asset. The useful economic life is assessed at the end of the reporting period to determine whether estimates are still appropriate.

Cost Down Provision

With certain customers we enter into long term agreements, to ensure continuity of business. Within these agreements, the company is expected to reduce part cost on an annual basis as a result on production efficiencies subject to both parties achieving agreed conditions.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

3 Turnover and other revenue

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	16,545,261	14,924,278
Rest of Europe	24,488,683	12,408,921
Rest of the world	14,347	3,286
	<u>41,048,291</u>	<u>27,336,485</u>
	2023	2022
	£	£
Other revenue		
Interest income	16,532	7,466
Grants received	-	16,044
	<u>-</u>	<u>16,044</u>

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(141,472)	(58,882)
Government grants	-	(16,044)
Fees payable to the company's auditor for the audit of the company's financial statements	28,600	26,000
Depreciation of owned tangible fixed assets	1,100,492	1,070,858
Loss on disposal of tangible fixed assets	121,340	-
	<u>1,108,960</u>	<u>1,022,932</u>

5 Auditor's remuneration

	2023	2022
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	28,600	26,000
	<u>28,600</u>	<u>26,000</u>

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Administration	24	28
Production	139	132
Total	163	160

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	4,761,399	3,885,729
Social security costs	432,787	338,360
Pension costs	136,906	132,883
	5,331,092	4,356,972

7 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	16,532	7,466

8 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and loans	3,705	7,102

9 Amounts written off investments

	2023 £	2022 £
Loss on disposal of investments held at fair value	(1,291)	-

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

10 Taxation

	2023 £	2022 £
Current tax		
UK corporation tax on profits for the current period	456,683	-
Adjustments in respect of prior periods	20,681	(88,392)
Total UK current tax	477,364	(88,392)
Foreign current tax on profits for the current period	-	10,669
Total current tax	477,364	(77,723)
Deferred tax		
Origination and reversal of timing differences	(11,419)	280,256
Adjustment in respect of prior periods	(9,262)	(2,427)
Total deferred tax	(20,681)	277,829
Total tax charge	456,683	200,106

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Profit before taxation	2,217,414	523,577
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	421,309	99,480
Tax effect of expenses that are not deductible in determining taxable profit	5,001	1,598
Adjustments in respect of prior years	20,681	(90,819)
Group relief	-	99,985
Deferred tax adjustments in respect of prior years	(9,262)	-
Fixed asset differences	21,236	11,931
Unrelieved foreign tax	-	10,669
Remeasurement of deferred tax for changes in tax rates	(2,282)	67,262
Taxation charge for the year	456,683	200,106

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

11 Dividends

	2023 £	2022 £
Final paid	150,000	900,000

12 Intangible fixed assets

	Development costs £
Cost	
At 1 June 2022 and 31 May 2023	556,277
Amortisation and impairment	
At 1 June 2022 and 31 May 2023	556,277
Carrying amount	
At 31 May 2023	-
At 31 May 2022	-

13 Tangible fixed assets

	Freehold land and buildings £	Assets under construction £	Plant and equipment £	Fixtures and fittings £	Total £
Cost					
At 1 June 2022	7,028,318	4,413	20,145,847	6,655,436	33,834,014
Additions	29,734	-	8,030	450,892	488,656
Disposals	-	-	(1,600,781)	-	(1,600,781)
At 31 May 2023	7,058,052	4,413	18,553,096	7,106,328	32,721,889
Depreciation and impairment					
At 1 June 2022	5,071,402	-	15,625,760	5,540,462	26,237,624
Depreciation charged in the year	162,812	-	646,633	291,047	1,100,492
Eliminated in respect of disposals	-	-	(1,532,162)	-	(1,532,162)
At 31 May 2023	5,234,214	-	14,740,231	5,831,509	25,805,954
Carrying amount					
At 31 May 2023	1,823,838	4,413	3,812,865	1,274,819	6,915,935
At 31 May 2022	1,956,916	4,413	4,520,087	1,114,974	7,596,390

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

14 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	15	557,950	559,241
Movements in fixed asset investments			
			Shares in subsidiaries £
Cost or valuation			
At 1 June 2022			559,241
Disposals			(1,291)
At 31 May 2023			557,950
Carrying amount			
At 31 May 2023			557,950
At 31 May 2022			559,241

15 Subsidiaries

Details of the company's subsidiaries at 31 May 2023 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Sanko Gosei Czech, s.r.o	Rohacova 188 37 Zizkov 130 00	Ordinary	20.00

16 Stocks

	2023 £	2022 £
Raw materials and consumables	1,970,557	1,382,147
Work in progress	85,454	94,233
Finished goods and goods for resale	486,635	323,735
	2,542,646	1,800,115

Raw materials, consumables and charges in finished goods and work in progress recognised as cost of sales in the year amounted to £26,581,610 (2022: £16,526,992). The write-down of stocks to net reliable value amounted to £Nil (2022: £Nil).

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

17 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	9,593,161	7,359,492
Amounts owed by group undertakings	1,887,963	424,394
Prepayments and accrued income	1,142,476	420,541
	<u>12,623,600</u>	<u>8,204,427</u>

An impairment loss of £70,643 (2022: 56,237) was recognised against trade debtors.

18 Creditors: amounts falling due within one year

	2023	2022
	£	£
Trade creditors	3,935,799	2,295,901
Amounts owed to group undertakings	1,120,674	1,682,765
Corporation tax	306,424	(61,675)
Other taxation and social security	1,282,800	1,158,238
Other creditors	1,025,076	375,153
Accruals and deferred income	2,221,880	1,666,151
	<u>9,892,653</u>	<u>7,116,533</u>

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

The assets of the company are secured by a legal debenture in favour of National Westminster Bank Plc.

19 Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Accruals and deferred income	<u>86,897</u>	<u>93,931</u>

Trade creditors due greater than one year related to deferred payment terms on the purchase of plant and machinery and the balance of £86,897 is to be paid within year ended 2025.

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	717,777	729,196
Short term timing differences	(16,138)	(6,876)
	<u>701,639</u>	<u>722,320</u>
Movements in the year:		2023 £
Liability at 1 June 2022		722,320
Credit to profit or loss		(20,681)
Liability at 31 May 2023		<u>701,639</u>

21 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>136,906</u>	<u>132,883</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital				
Issued and fully paid				
6,000,000 ordinary shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

SANKO GOSEI UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	393,606	440,417
Between two and five years	1,497,489	1,385,685
In over five years	852,390	1,193,346
	<u>2,743,485</u>	<u>3,019,448</u>

The above leases are mainly made up of the lease of a building in Birmingham.

24 Related party transactions

The company transacts with other members of the group, headed by Sanko Gosei Limited. These transactions are made on an arm's length basis. The company has taken the exemption available under FRS 102 Section 33 from disclosing transaction with these entities as they are all 100% owned

25 Ultimate controlling party

The company is a subsidiary undertaking of Sanko Gosei Limited, incorporated in Japan. The ultimate controlling party is Mr Kenso Kuroda, President of Sanko Gosei Limited.

The group in which the results of the company are consolidated is that headed by Sanko Gosei Limited. No other group financial statements include the results of the company. The consolidated accounts of this group are available to the public and may be obtained from 1200 Habushin, Nanto-City, Toyama, Japan

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.