

Makita (UK) Limited

**Annual report and financial
statements**

Registered number 3033057

For the year ended 31 March 2021



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Strategic report

Principal activity

The principal activity of the company is the marketing and distribution of Makita branded power tools and to act as an intermediate holding company.

On 31 March 2020, for the purposes of a simplification to the group structure, the company acquired the whole trade (assets and liabilities) of Makita (UK) Limited, a subsidiary undertaking that distributes Makita power tools (Company number: 01086698). On 5th May 2020 Makita International Europe Ltd changed its company name to "Makita (UK) Ltd". The distribution and marketing business under the former Makita (UK) Ltd (01086698) continues under this company.

Results

The profit for the year before taxation was £135,975,000 (2020: £30,413,000).

Performance and development during the year

Makita (UK) Limited has worked to build strong relationships of trust with customers by continually launching new products that feature high quality and high effectiveness in ways tailored to meet customer's needs and by providing customer service that is highly valued by customers and helps further to enhance the company's brand image.

Turnover has increased from £1,795,000 to £303,175,000 due to the acquisition of the trade and assets of the former Makita UK Limited.

As a holding company, the company receives dividend income from its subsidiaries and this constitutes a large part of the company's operating profit. For the year, the company's dividend income amounted to £118,657,000, compared to £30,176,000 in the prior year.

The company produced a profit before tax of £135,975,000 in the year ended 31 March 2021 compared with a profit of £30,413,000 in the year ended 31 March 2020.

Makita (UK) Ltd has continued to trade profitably during the financial year ended 31st March 2021 despite challenging market conditions. COVID19 has not had a material impact on the results. The introduction of remote working has reduced overheads and resulted in efficiencies gained with the implementation of new working practices. It is expected that the overall sales for the financial year ended 31st March 2022 will continue to grow. The company's subsidiaries are in a similar trading position overall and the directors' expect no impairment in the shareholdings

Environment

Makita (UK) Limited maintained its certification to ISO 14001:2015 using an Environmental Management System for the "Wholesale and repair of power tools and associated products".

In order to demonstrate our accountability, Makita (UK) Limited has been proactive in meeting its legal obligations, in so far as:

Recycling, reuse, reduction

Makita (UK) Limited monitors recycling and waste on a monthly basis and strive for zero waste to landfill. We review within our waste streams any cost savings and look to develop ways to reduce, re-use and recycle. We continually manage this year on year by correctly managing the hierarchy of waste by prevention, reduction, reuse and recycling

Makita (UK) Limited in conjunction with our packaging compliance scheme are part of a tree planting program that can help by making a positive contribution to natural woodland habitats - both locally and nationally. Makita (UK) Limited look to take steps to do what we can to help the environment - recycling, reducing waste, and reducing energy use.

Batteries

Makita (UK) Limited actively encourage the recycling of batteries by ensuring End Users are provided with information from our Compliance Scheme which provides retail collection points and collection points at civic amenity sites.

Strategic report *(continued)*

WEEE (The Waste Electrical and Electronic Equipment Regulations 2013)

Makita (UK) Limited is in full compliance with the WEEE regulations, thus ensuring all WEEE products are accounted for and disposed of correctly and by a authorised treatment routes.

Producer Responsibility Obligations (Packaging Waste) Regulations 2007

Makita (UK) Limited accurately accounts for all packaging used in the importing and distribution of power tools. This ensures we meet our recovery and recycling rates as set by the UK Government.

RoHS (The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Regulations 2012 (as amended))

Makita (UK) Limited only make a available compliant products meeting the current RoHS regulations.

REACH regulations

Makita (UK) Limited carry out regular checks with our suppliers to ensure the products supplied to us and sold by us are REACH compliant.

ESOS

Makita (UK) Limited continue to work towards compliance with phase 3.

Employment

It is the policy of Makita (UK) Limited to encourage and help train staff to maximise their own potential and to promote from within whenever possible. This policy ensures that an experienced, well trained and stable workforce is maintained which is then able to give a high level of service to customers.

On 1 April 2020, there were 187 permanent employees; of these 14 left during the year, 20 new employees were recruited making 193 employees at the 31 March 2021 close.

Risk factors

The following is a summary of some of the principal risks that could affect Makita (UK) Limited (formerly Makita International Europe Limited).

Market risk

The demand for power tools, Makita's main products, is affected to a large extent by the levels of construction activities and capital investments in the UK and Ireland. Generally speaking, the levels of construction activities and capital investment depend largely on the economic conditions in the market. As a result, if economic conditions weaken this may have an adverse impact on Makita's operations. Makita as a group mitigates this risk by continuing to develop and broaden its product range in line with customer requirements in the construction and garden tool markets.

Currency exchange risk

The financial risks faced by the Makita group, of which the company is a part, are identified and managed by a central Treasury department. The company is principally exposed to foreign exchange risk since dividends received are often quoted in foreign currency.

In accordance with policies, foreign currency forward contracts may be entered into in order to provide a degree of certainty of a associated foreign currency cash flows.

Strategic report (continued)

Currency exchange risk (continued)

The maximum amount of a forward exchange contract is limited to the actual amount of incoming cash. As a matter of policy, the company does not enter into any forward exchange contracts for speculative purposes.

Credit risk

Makita is dependent upon the quality of its customers, this includes their financial strength. If customers become insolvent a bad debt may be generated and sales may decline. To mitigate this risk Makita has consistently selected customers with high financial standing. This is followed up by continuous monitoring and credit insurance.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 ("the Act")

The Board of Makita (UK) Limited considers that it is comprised with appropriate individuals with suitable skills and experience and the directors consider that they have acted, both individually and together, in ways which would most likely promote the success of the company for the benefit of its members as a whole, having regard to stakeholders and matters set out in s172(1)(a-f) of the Act.

The Board has implemented policies and processes to inform and assist its strategic planning, management and decision-making in line with culture and values.

In particular, we have:

- Engaged regularly with our employees
 - Adopted the Makita Group's values and distributed the Makita Code of Ethics to all employees.
 - Operated an ethics helpline that is available to all employees.
 - Provided regular training to our employees throughout the year.
- Engaged with suppliers and customers
 - Met with major customers and suppliers on a regular basis.
 - Maintain regular contact with our suppliers, which are principally other Makita Group Companies.
 - Taken action to ensure no involvement in modern slavery, corruption or bribery.
- Engaged with others in a business relationship with the Company
 - Considered the risks with external stakeholders and adopted appropriate procedures to mitigate these risks.
 - Complied with environmental legislation and pursued opportunities to operate in an environmentally sustainable manner.

By order of the board



H Terajima
Director

04 November 2021

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2021.

Directors

The directors who held office during the year were as follows:

H Tsujimura
T Omote
H Terajima (appointed 1st April 2020)
B Smart (appointed 1st April 2020)

Dividend

A dividend of £21,600,000 (2020: £71,185,000) was paid during the year.

Financial instruments

The Company finances its activities with a combination of cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions namely forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations. Financial instruments give rise to foreign currency and credit risk. Information on how these risks arise is set out in the Strategic report.

Greenhouse gas emissions and energy consumption

The Company operated over four sites in the UK during the year ended 31 March 2021. The Company recognises that it is important that it acts in an environmentally responsible manner. The following table shows the Company's energy usage for the year in relation to the Company's premises and fleet of owned vehicles. The consumption data is based on utility bills and business mileage. The greenhouse emissions have been calculated based on conversion factors published by the Department for Business, Energy & Industrial Strategy. This is the first year of reporting this data which will enable the Company's management to focus on identifying ways to reduce the Company's carbon footprint. The emission intensity ratio for the year was 1,649.28 KG of CO₂e per million £ turnover.

Energy Type	Company's Energy Use in the year ended 31 March 2021
Electricity (kWh)	575,167
Gas (kWh)	1,095,345
Transport (kWh)	708,530

Associated greenhouse gas emissions (GHG)	
Electricity (kg of CO ₂ e)	134,094
Gas (kg of CO ₂ e)	201,401
Transport (kg of CO ₂ e)	164,526

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



H Terajima
Director

Michigan Drive
Tongwell
Milton Keynes
Buckinghamshire
MK15 8JD

04 November 2021

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
One Snowhill
Snow Hill Queensway
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B4 6GH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAKITA (UK) LIMITED

Opinion

We have audited the financial statements of Makita (UK) Limited ("the company") for the year ended 31 March 2021 which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report.
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



**Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH
United Kingdom*

04 November 2021

Profit and loss account and Other Comprehensive Income
for the year ended 31 March 2021

	<i>Note</i>	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Turnover	2	303,175	1,795
Cost of Sales		(257,202)	-
		<hr/>	<hr/>
Gross profit		45,973	1,795
Distribution Costs		(2,267)	-
Administrative expenses		(4,675)	(1,690)
		<hr/>	<hr/>
Operating Profit		39,031	105
Income from group undertakings	3	118,657	30,176
Amounts written off investments	12	(21,700)	-
Interest receivable and similar income	7	5	133
Interest payable and similar expenses	8	(18)	(1)
		<hr/>	<hr/>
Profit before taxation		135,975	30,413
Taxation	9	(7,305)	(135)
		<hr/>	<hr/>
Profit for the financial period, being total comprehensive income		128,670	30,278
		<hr/>	<hr/>

All figures relate to continuing operations.

The company had no other comprehensive income or expenses in either year.

The notes on pages 14 to 30 form part of these financial statements.

Balance sheet
at 31 March 2021

	<i>Note</i>	2021 £000	£000	2020 £000	£000
Fixed assets					
Tangible assets	<i>10</i>		1,805		2,475
Right-of-use assets	<i>11</i>		2,734		1,127
Investments	<i>12</i>		105,392		127,092
Deferred Tax Asset	<i>13</i>		199		94
			<u>110,130</u>		<u>130,788</u>
Current assets					
Stocks	<i>14</i>	102,888		85,279	
Debtors	<i>15</i>	47,224		37,928	
Cash at bank and in hand		59,422		25,321	
		<u>209,534</u>		<u>148,528</u>	
Creditors: Amounts falling due within one year	<i>16</i>	(74,192)		(142,359)	
			<u>135,342</u>		<u>6,169</u>
Net current assets			<u>135,342</u>		<u>6,169</u>
Total assets less current liabilities			<u>245,472</u>		<u>136,957</u>
Creditors: Amounts fallings due after more than one year	<i>16</i>		<u>(1,907)</u>		<u>(462)</u>
Net Assets			<u>243,565</u>		<u>136,495</u>
Capital and reserves					
Called up share capital	<i>18</i>	106,217		106,217	
Profit and loss account		137,348		30,278	
Equity shareholders' funds			<u>243,565</u>		<u>136,495</u>

The notes on pages 14 to 30 form part of the financial statements.

These financial statements were approved by the board of directors on 04 November 2021 and were signed on its behalf by:



H Terajima
Director

Company registered number: 3033057

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	106,217	71,185	177,402
Total comprehensive income for the period			
Profit or loss for the period	-	30,278	30,278
Transactions with owners, directly recorded in equity			
Dividends	-	(71,185)	(71,185)
Balance at 31 March 2020	106,217	30,278	136,495
Balance at 1 April 2020	106,217	30,278	136,495
Total comprehensive income for the period			
Profit or loss for the period	-	128,670	128,670
Transactions with owners, directly recorded in equity			
Dividends	-	(21,600)	(21,600)
Balance at 31 March 2021	106,217	137,348	243,565

Notes (forming part of the financial statements)

1 Accounting policies

Makita (UK) Limited (the "Company") is a company limited by shares, incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Makita Corporation, includes the Company in its consolidated financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Makita Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss, Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company has a strong liquidity position with no external debt, the benefit of flexibility in payment terms from its main suppliers which are all fellow group companies and had a cash position of £59,422,000 at 31 March 2021 that has remained positive in the period post year-end, with the Company experiencing significant levels of demand despite the COVID-19 pandemic. Detailed cashflow forecasts have been prepared to 31st December 2022 and have been adjusted to reflect the potential impact of future lockdowns. The company remains able to continue with no requirement to source external funding.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. There are no derivative financial instruments that qualify for hedge accounting.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Plant and equipment 4 years
- Fixtures and fittings 4 years
- Motor vehicles 4 years
- Software 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

1.7 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. There has been no development expenditure in either the current year or previous year.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Provision is made for obsolete, slow moving and defective items where appropriate.

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Makita recognises revenue when the performance obligation has been satisfied being at the point in time delivery of goods has occurred (when control is obtained by the customer) or services are rendered.

The sales price is fixed or determinable and collectability is reasonably assured. Makita offers sales incentives to qualifying customers through various incentive programs. Revenues are reported net of these sales incentives.

1.13 Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Leases

To the extent that a right-of-control exists over an asset subject to a lease and with a lease term exceeding one year, the Company recognises: a right-of-use asset, representing the underlying lease asset, and a lease liability, representing the Company's obligation to make lease payments. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to annual impairment testing, where indicators of impairment exist.

The lease liability is measured at the present value of the future lease payments discounted using the Company's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Future lease payments include: fixed payments, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date), amounts expected to be payable under a residual guarantee and the exercise price of purchased options where it is reasonably certain that the option will be exercised. Finance charges, representing the unwinding of the discount rate, are recognised in the Profit and Loss Account and Other Comprehensive Income over the period of the lease. Lease payments for low value assets and short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Notes (continued)

2 Turnover

	2021 £000	2020 £000
<i>By type of service</i>		
Distribution	303,175	-
Head office activities	-	1,795
	303,175	1,795
	303,175	1,795

By geographical market

Europe, Middle East and Africa	303,175	1,656
Head office activities	-	139
	303,175	1,795
	303,175	1,795

3 Income from group undertakings

	2021 £000	2020 £000
Dividends received from subsidiary undertakings	118,657	30,176
	118,657	30,176
	118,657	30,176

4 Auditor's remuneration

	2021 £000	2020 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	91	40
Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services	11	11
	11	11
	11	11

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Sales and administration, distribution	193	5

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	7,249	403
Social security costs	807	5
Contributions to defined contribution plans	312	3
	8,368	411

Employee costs in the year ended 31st March 2021 includes £238,000 credit in relation to the employees placed on Furlough under the UK Coronavirus Job Retention Scheme.

6 Directors' remuneration

	2021	2020
	£000	£000
Directors' remuneration	455	0

The emoluments of the highest paid director were £296,000 (2020: £0).

7 Interest receivable and similar income

	2021	2020
	£000	£000
Bank interest	5	133
Total interest receivable and similar income	5	133

Notes *(continued)*

8 Interest payable and similar expenses

	2021 £000	2020 £000
Net foreign exchange loss	18	1
	18	1
Total interest payable and similar expenses	18	1

9 Taxation

Recognised in the profit and loss account

	2021 £	2020 £
<i>Current tax</i>		
Current tax on income for the period	7,486	135
Adjustments in respect of prior periods	(76)	-
	7,410	135
Total current tax	7,410	135
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	(105)	-
	(105)	-
Total tax	7,305	135

Notes (continued)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit before tax	135,975	30,413
Tax using the UK corporation tax rate of 19% (2019: 19%)	25,835	5,778
Non-deductible expenses	4,090	1
UK dividends not taxable	(22,544)	(5,733)
Withholding tax paid	-	87
Adjustments in respect of prior periods	(76)	2
Total tax expense included in profit or loss	7,305	135

A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2021 has been calculated at 19% (2010: 17%).

10 Tangible fixed assets

	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Software £000	Total £000
Cost					
Balance at 1 April 2020	835	1,922	1,734	3,516	8,007
Additions	158	298	23	1	480
Disposals	(8)	(14)	(78)	-	(100)
Balance at 31 March 2021	985	2,206	1,679	3,517	8,387
Depreciation and impairment					
Balance at 1 April 2020	683	1,710	1,121	2,018	5,532
Depreciation charge for the year	85	133	265	661	1,144
Disposals	(7)	(14)	(73)	-	(94)
Balance at 31 March 2021	761	1,829	1,313	2,679	6,582
Net book value					
At 31 March 2021	224	377	366	838	1,805
At 31 March 2020	152	212	613	1,498	2,475

Notes (continued)

11 Leases

Right-of-use assets	Land & Buildings £000	Total £000
Cost		
Balance at 1 April 2020	1,998	1,998
Additions	2,498	2,498
	<hr/>	<hr/>
Balance at 31 March 2021	4,496	4,496
	<hr/> <hr/>	<hr/> <hr/>
Depreciation and impairment		
Balance at 1 April 2020	871	871
Depreciation charge for the year	891	891
	<hr/>	<hr/>
Balance at 31 March 2021	1,762	1,762
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 31 March 2021	2,734	2,734
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2020	1,127	1,127
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

Lease Liabilities

	£000
Balance at 1 April 2020	1,128
Additions	2,498
Interest expense	17
Lease payments	(926)
	2,717
Balance at 31 March 2021	2,717

Lease Liabilities

	£000
Balance at 1 April 2019	-
Transfers from subsidiary undertakings	1,128
	1,128
Balance at 31 March 2020	1,128

The maturity analysis of the lease liabilities was as follows:

	2021	2020
	£000	£000
Due within one year	977	887
Due between one and two years	1,740	125
Due between two and five years	-	116
Due after more than five years	-	-
	2,717	1,128
	2,717	1,128

12 Investments

Subsidiaries and associates

	£
Cost	
At beginning of year	151,992
	151,992
At end of year	151,992
Impairment	
At beginning of year	24,900
Impairment charge	21,700
	46,600
At end of year	46,600
Net book value	
At 31 March 2021	105,392
At 31 March 2020	127,092

Notes (continued)

12 Investments (continued)

This company has the following investments in subsidiary undertakings and associates:

	Country of incorporation	Registered address	Holding	Ownership 2021 %	Ownership 2020 %
Makita Manufacturing Europe Limited	England and Wales	Hortonwood 7, Telford, Shropshire TF1 7YX	Ordinary	100	100
Makita France S.A.	France	37, avenue Graham Bell, ZAC Léonard de Vinci, Bussy Saint-Georges, 77607 Marne-la-Vallée Cedex 3	Ordinary	55	55
Makita Nederland B.V.	Netherlands	Park Forum 1101, 5657HK Eindhoven	Ordinary	100	100
S.A. Makita N.V.	Belgium	Jan-Baptist Vinkstraat 2 3070 Kortenberg	Ordinary	100	100
Makita S.P.A.	Italy	Via Sempione 269/A, 20028 San Vittore Olona	Ordinary	100	100
Makita Werkzeug GmbH	Germany	Makita Platz 1, 40885 Ratingen	Ordinary	99	99
Makita Engineering Germany GmbH	Germany	JENFELDER STRASSE 38, 22045 HAMBURG	Ordinary	11	11
Makita Werkzeug GmbH	Austria	Airportstrasse 4 A-2401 Fischamend	Ordinary	100	100
Makita S.A. Spain	Spain	C/ Juan de la Cierva, 7-15, 28820 Coslada	Ordinary	100	100
Makita Hellas S.A.(1)	Greece	Tatoiou 34, Acharnes, ATTIKI PC13677	Ordinary	100	100
Makita sp.z o.o.(3)	Poland	ul. Bestwinska 103, 43-346 Bielsko - Biala	Ordinary	100	100
Makita S.R.O. (2)	Czech Republic	Kastanová 555/125d 620 00 Brno	Ordinary	90	90
Makita Kft (2)	Hungary	8000, Székesfehérvár, Takarodó út 2	Ordinary	100	100
Makita Romania (2)	Romania	Str.I.C.Bratiianu nr. 164 Depozit Faza 3, 077030 Branesti Ilfov	Ordinary	100	100
Makita S.A.	Switzerland	Chemin du Vuasset 7, CH-1028 Preverenges	Ordinary	100	100
Makita O.Y.	Finland	Teilimäki 4 FIN-01530 Vantaa	Ordinary	100	100
Makita Slovakia	Slovakia	Jegorovova 35, 974 01 Banská Bystrica	Ordinary	100	100
Makita Russia	Russia	Permskaya str. 1, build. 1, Moscow, 107143, Russia	Ordinary	20	20
Makita Portugal Lda	Portugal	Centro empresarial de Alverca, Armazém C2 Vale das Ervas 2615-187 Alverca do Ribatejo	Ordinary	100	100
Makita Ukraine LLC (2)	Ukraine	18A, Marka Vovchka str., Kyiv, 04073	Ordinary	100	100
Makita Bulgaria EOOD	Bulgaria	Okolovrasten Pat (circle road), No.373, Sofia 1186, Bulgaria	Ordinary	100	100
Makita Slovenia	Slovenia	Brnčičeva ulica 49, 1231 Ljubljana-Črnuče, Slovenia	Ordinary	100	100
Makita Kazakhstan	Kazakhstan	Kommunalnaya 39, 050016, Almaty, Kazakhstan	Ordinary	99	99

(1) Owned by Makita S.P.A (Italy)

(2) Owned by Makita Werkzeug GmbH (Austria)

(3) Owned by Makita Werkzeug GmbH (Austria) 53% and the Company 47%

Notes (continued)

12 Investments (continued)

With the exception of Makita Manufacturing Europe Limited and Makita Engineering Germany GmbH, the principal activity of all the above companies is the sale and distribution of Makita branded power tools. Makita Manufacturing Europe Limited manufactures these power tools and Makita Engineering Germany GmbH manufactures these power tools and engages in research and development.

On 31 March 2020 the Company's wholly owned subsidiary, Makita International Europe (formerly Makita (UK) Limited), transferred its trade and assets into the company. In line with accounting principles of combining the two into one statutory entity, the investment balance was fully impaired and Makita International Europe liquidated.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £000	2020 £000	Net 2021 £000	2020 £000
Tangible fixed assets	(199)	(94)	(199)	(94)
Tax (assets) / liabilities	(199)	(94)	(199)	(94)
Net tax (assets) / liabilities	(199)	(94)	(199)	(94)

Movement in deferred tax during the year

	1 April 2020 £000	Recognised in income £000	31 March 2021 £000
Tangible fixed assets	94	105	199

Movement in deferred tax during the prior year

	1 April 2019 £000	Transfers from subsidiary undertakings £000	31 March 2020 £000
Tangible fixed assets	-	94	94

14 Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	102,888	85,279

Finished goods recognised as cost of sales in the year amounted to £242,896,000 (2020: £0). The reversal of write-downs of stocks in the year amounted to £3,736,000 (2020: charge of £0).

Notes *(continued)*

15 Debtors

	2021	2020
	£000	£000
Trade receivables	46,118	36,558
Amounts owed by group undertakings	121	132
Other financial assets – Forward Exchange contracts	-	11
Corporation tax to be refunded	-	441
Other debtors	985	786
	<u>47,224</u>	<u>37,928</u>

Amounts owed by group undertakings are trading balances receivable under standard terms and amounts due to group undertakings are trading balances payable under standard terms.

16 Creditors

Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	4,153	1,634
Amounts due to group undertakings	47,901	128,005
Corporation tax payable	626	-
Other taxation and social security	6,337	1,697
Accruals and deferred income	14,198	10,054
Foreign currency forward contracts	-	80
Lease liabilities (note 11)	977	887
	<u>74,192</u>	<u>142,359</u>

Amounts due to group undertakings are trading balances payable under standard terms.

Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Lease liabilities (note 11)	1,740	241
Warranty liabilities	167	221
	<u>1,907</u>	<u>462</u>

Notes (continued)

17 Financial instruments

The financial assets and liabilities are measured at amortised costs and their carrying value are a reasonable approximation of fair value therefore there is no analysis of their value in the fair value hierarchy.

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was:

	2021 £000	2020 £000
Trade receivables from customers in the UK and rest of Europe	46,118	36,558
	<u>46,118</u>	<u>36,558</u>

Notes (continued)

17 Financial instruments (continued)

Credit quality of financial assets and impairment losses

Trade receivables are amounts owed from customers, are not interest bearing and are generally on credit terms of 30 days from end of month. Risk is minimised by using credit insurance.

The aging of trade receivables at the balance sheet date was:

	Gross 2021 £000	Impairment 2021 £000	Gross 2020 £000	Impairment 2020 £000
Not past due	52,855	220	38,103	305
Past due 0-30 days	(6,756)	83	(624)	77
Past due 31-120 days	622	304	(324)	282
More than 120 days	191	187	537	470
	<u>46,912</u>	<u>794</u>	<u>37,692</u>	<u>1,134</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021 £000	2020 £000
Balance at 1 April	1,134	928
Charged to income statement	1,458	1,011
Utilised	(382)	(2)
Released to income statement	(1,416)	(803)
	<u>794</u>	<u>1,134</u>
Balance at 31 March	<u>794</u>	<u>1,134</u>

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	1 year or less £000	31 March 2021	
			1 to <2 years £000	2 to <5 years £000
Non-derivative financial liabilities				
Trade and other creditors	76,099	74,192	1,907	-
Other - forward exchange contracts:				
Outflow	-	-	-	-
Inflow	-	-	-	-
	<u>76,099</u>	<u>74,192</u>	<u>1,907</u>	<u>-</u>

Notes (continued)

17 Financial instruments (continued)

	Carrying amount £000	1 year or less £000	31 March 2020	
			1 to <2years £000	2 to <5years £000
Non-derivative financial liabilities				
Trade and other creditors	142,741	142,279	346	116
Other - forward exchange contracts:				
Outflow		8,070	-	-
Inflow	(70)	(8,140)	-	-
	142,671	142,209	346	116
	142,671	142,209	346	116

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Market risk – Foreign currency risk

A proportion of the products Makita sells are produced in the group's worldwide factories where the costs are denominated in currencies of the US dollar and the euro. Consequently the cost of these products is dependent upon the value of pound sterling compared with these currencies. An adverse fluctuation will have an impact on Makita's operating results. In an effort to reduce the impact of short-term exchange rate fluctuations Makita engages in short term forward exchange rate contracts. As a matter of policy no hedges of a speculative nature are entered into. While Makita believes that such measures may help reduce the impact of some exchange rate fluctuations, it cannot assure that it will be able to successfully hedge its exchange rate risks.

18 Capital and reserves

Share capital

	Ordinary shares	
	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
106,216,855 ordinary shares of £1 each	106,217	106,217
	106,217	106,217

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividends have been proposed or paid after the balance sheet date.

Notes (continued)

19 Capital commitments

The company had no capital commitments at 31 March 2021 (2020: £nil)

20 Contingencies

The company had no contingencies at 31 March 2021 (2020: £nil)

21 Related parties

The Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with wholly owned entities which form part of the Group headed by Makita Corporation.

	2021 £000	2020 £000
Makita France SA		
Amounts were charged to the related party,		
IT support service	-	138
Goods	7	-
Amounts were charged from related party for goods	7	-
At the year end the amounts owed by the related party	-	16
At the year end the amounts owed to the related party	4	70
Amounts paid to the related party during the year	73	1
Amounts received from the related party during the year	23	-
	<u> </u>	<u> </u>

22 Ultimate parent company and parent company of larger group

The ultimate controlling party is Makita Corporation, incorporated in Japan.

The largest and smallest group in which the results of the Company are consolidated is that headed by Makita Corporation whose principal place of business is at:

3-11-8,
Sumiyoshi-cho,
Anjo,
Aichi,
Japan

The consolidated financial statements of Makita Corporation are available to the public and may be obtained from the registered office, whose address is stated above.

23 Accounting estimates and judgements

All the assets and liabilities at the Balance sheet date and the amounts reported for revenues and expenses during the year have been reviewed by the directors. Where estimates have been used the actual outcomes could differ from the estimates. The key source of estimation uncertainty which, in the opinion of the directors, could materially impact the financial statements is the determination of the provision for stocks. The directors apply the Makita Corporation provisioning policy which is believed to be the most appropriate.