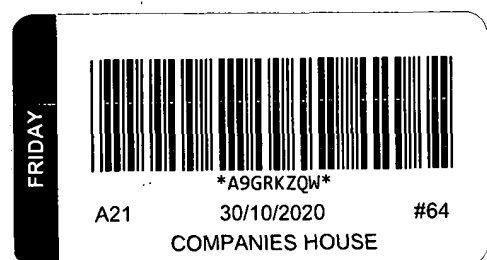


**Makita (UK) Limited (formerly Makita
International Europe Limited)**

**Annual report and financial
statements**

**Registered number 3033057
For the year ended 31 March 2020**



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Strategic report

Principal activity

The principal activity of the company is to act as intermediate holding company and to provide management services for the European, Middle East and African companies of Makita Corporation which are involved in the manufacture and sale of primarily Makita branded power tools. These services include IT support services and Japanese Sarbanes Oxley ("J-SOX") related services. The Group's principal activity is the manufacture and sale of Makita branded power tools.

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 01 April 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 £30,413,000 (2019: £71,416,000).

Performance and development during the year

During the year the company operated as a holding company which renders management services to its European affiliates. Its turnover consists of fees from subsidiaries in respect of the provision of management services and is based on the subsidiaries' turnover. 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 £30.2 million, compared to £71.1 million in the prior year. Key financial KPI's such as turnover and profit before taxation either exceeded their targets or came to a satisfactory level.

Since the year end, the business experienced unexpected sales demands in the first quarter despite the Covid-19 stay at home advice from the government. It is expected that the overall sales for the financial year 2021 to remain around the same level as the previous year. The company's subsidiaries are in a similar trading position overall and the directors' expect no impairment in the shareholdings.

Transition to FRS 101

The Company has applied Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) for the first time in these financial statements. The transition date from Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) was 1 April 2018 prior to the transfer of the trade and assets of Makita (UK) Limited as referred to above. On transition to FRS 101, the Company has applied the requirements of paragraphs 6 – 33 of IFRS 1 "First time adoption of International Financial Reporting Standards". The transition did not result in any adjustments.

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 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")

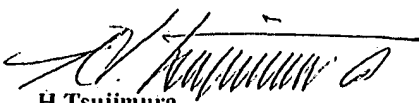
The Board of Makita (UK) Limited (formerly Makita International Europe Limited) considers that it is comprised with appropriate individuals with suitable skills and experience and the directors consider that they have acted, both individually and together, in ways which would most likely promote the 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, that 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 Tsujimura
Director

26 October 2020

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2020.

Directors

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

Y Fukaya (resigned in June 2019)

H Tsujimura (appointed in June 2019)

T Omote

Dividend

A dividend of £71,185,000 (2019: £126,138,000) 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.

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.

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.

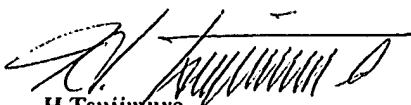
Other information

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 Tsujimura
Director

Michigan Drive
Tongwell
Milton Keynes
Buckinghamshire
MK15 8JD

26 October 2020

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
Birmingham
B4 6GH

Independent auditor's report to the members of Makita (UK) Limited (formerly Makita International Europe Limited)

Opinion

We have audited the financial statements of Makita (UK) Limited (formerly Makita International Europe Limited) ("the company") for the year ended 31 March 2020 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 2020 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of Makita (UK) Limited (formerly Makita International Europe Limited)) (continued)

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 4, 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.

Independent auditor's report to the members of Makita (UK) Limited (formerly Makita International Europe Limited)) *(continued)*

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

27 October 2020

Profit and loss account and Other Comprehensive Income
for the year ended 31 March 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	1,795	1,683
Gross profit		1,795	1,683
Administrative expenses		(1,690)	(1,449)
Operating Profit		105	234
Other operating income	3	30,176	71,102
Amounts written off investments		-	(5)
Interest receivable and similar income	6	133	334
Interest payable and similar expenses	7	(1)	(249)
Profit before taxation		30,413	71,416
Taxation	8	(135)	(231)
Profit for the financial period, being total comprehensive income		30,278	71,185

All figures relate to continuing operations.

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

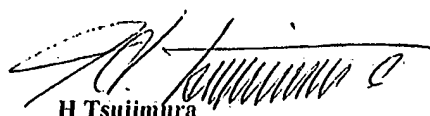
The notes on pages 11 to 23 form part of these financial statements.

Balance sheet
at 31 March 2020

	<i>Note</i>	2020 £000	2019 £000
Fixed assets			
Tangible assets	9	977	2
Intangible assets	10	1,498	6
Right-of-use assets	11	1,127	-
Investments	12	127,092	127,092
Deferred Tax Asset	13	94	-
		<u>130,788</u>	<u>127,100</u>
Current assets			
Stocks	14	85,279	-
Debtors	15	37,928	229
Cash at bank and in hand		25,321	50,255
		<u>148,528</u>	<u>50,484</u>
Creditors: Amounts falling due within one year	16	<u>(142,359)</u>	<u>(182)</u>
Net current assets		6,169	50,302
Total assets less current liabilities		136,957	177,402
Creditors: Amounts falling due after more than one year	16	(462)	-
Net Assets		<u>136,495</u>	<u>177,402</u>
Capital and reserves			
Called up share capital	17	106,217	106,217
Profit and loss account		30,278	71,185
Equity shareholders' funds		<u>136,495</u>	<u>177,402</u>

The notes on pages 11 to 23 form part of the financial statements.

These financial statements were approved by the board of directors on 26 October 2020 and were signed on its behalf by:



H Tsujimura
 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 2018	106,217	126,138	232,355
Total comprehensive income for the period			
Profit or loss for the period	-	71,185	71,185
Transactions with owners, directly recorded in equity			
Dividends	-	(126,138)	(126,138)
Balance at 31 March 2019	106,217	71,185	177,402
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

Notes

(forming part of the financial statements)

1 Accounting policies

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

The Company has applied Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) for the first time in these financial statements. The transition date from Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) was 1 April 2018. On transition to FRS 101, the Company has applied the requirements of paragraphs 6 – 33 of IFRS 1 "First time adoption of International Financial Reporting Standards". The transition did not result in any adjustments.

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 21.

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 and had a cash position of £25,321,000 at 31 March 2020 that has remained positive in the period post year-end, with the Company experiencing significant levels of demand despite the COVID-19 pandemic. The modelling performed includes a plausible downside scenario with revenues below that currently experienced and in this scenario the Company remains able to continue within the cash position forecast with no requirement to seek additional funding.

Consequently, the Directors are confident that the Group and Company/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

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.

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.

Notes (continued)

1 Accounting policies (continued)

1.12 Turnover

Turnover is derived from amounts receivable in respect of services (provided in the normal course of business, net of VAT) for management to Makita group companies across Europe, the Middle East and Africa. The company also recognised a support fee in turnover relating to IT support services provided to Makita group companies. These are recognised as turnover in the period to which the support relates.

Turnover for the Makita UK trading activities 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

	2020 £000	2019 £000
<i>By geographical market</i>		
Europe, Middle East and Africa	1,656	1,551
Rest of World	139	132
	1,795	1,683
	1,795	1,683

3 Other operating income

	2020 £000	2019 £000
Dividends received from subsidiary undertakings	30,176	71,102
	30,176	71,102
	30,176	71,102

4 Auditor's remuneration

	2020 £000	2019 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	6	6
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	11	10
Other services	34	3
	45	19
	45	19

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	
	2020	2019
Sales and administration	5	5
	5	5
	5	5

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	411	340
	411	340
	411	340

6 Interest receivable and similar income

	2020 £000	2019 £000
Bank interest	133	334
	133	334
Total interest receivable and similar income	133	334

Notes (continued)

7 Interest payable and similar expenses

	2020 £000	2019 £000
Net foreign exchange loss	1	249
Total interest payable and similar expenses	1	249

8 Taxation

Recognised in the profit and loss account

	2020 £000	2019 £000
<i>Current tax</i>		
Current tax on income for the period	135	231
Total current tax	135	231
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Total tax	135	231

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit before tax	30,413	71,416
Tax using the UK corporation tax rate of 19% (2019: 19%)	5,778	13,569
Non-deductible expenses	1	53
UK dividends not taxable	(5,733)	(13,509)
Withholding tax paid	87	118
Adjustments in respect of prior periods	2	-
Total tax expense included in profit or loss	135	231

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes (continued)

9 Tangible fixed assets

	Plant and equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 April 2019	7	-	-	7
Transfers from subsidiary undertakings	833	1,922	1,734	4,489
Additions	2	-	-	2
Disposals	(7)	-	-	(7)
Balance at 31 March 2020	835	1,922	1,734	4,491
Depreciation and impairment				
Balance at 1 April 2019	5	-	-	5
Transfers from subsidiary undertakings	683	1,710	1,121	3,513
Depreciation charge for the year	-	-	-	-
Disposals	(5)	-	-	(5)
Balance at 31 March 2020	683	1,710	1,121	3,513
Net book value At 31 March 2020	152	212	613	977
At 31 March 2019	2	-	-	2

10 Intangible fixed assets

	Software £000	Total £000
Cost		
Balance at 1 April 2019	23	23
Transfers from subsidiary undertakings	3,516	3,516
Additions	-	-
Disposals	(23)	(23)
Balance at 31 March 2020	3,516	3,516
Amortisation and impairment		
Balance at 1 April 2019	17	17
Transfers from subsidiary undertakings	2,018	2,018
Amortisation charge for the year	4	4
Disposals	(21)	(21)
Balance at 31 March 2020	2,018	2,018
Net book value At 31 March 2020	1,498	1,498
At 31 March 2019	6	6

Notes (continued)

11 Leases

Right-of-use assets	Land & Buildings £000	Total £000
Cost		
Balance at 1 April 2019	-	-
Transfers from subsidiary undertakings	1,998	1,998
Additions	-	-
Terminations	-	-
Balance at 31 March 2020	1,998	1,998
Depreciation and impairment		
Balance at 1 April 2019	-	-
Transfers from subsidiary undertakings	871	871
Depreciation charge for the year	-	-
Terminations	-	-
Balance at 31 March 2020	871	871
Net book value		
At 31 March 2020	1,127	1,127
At 31 March 2019	-	-

Lease Liabilities	Total £000
Balance at 1 April 2019	-
Transfers from subsidiary undertakings	1,128
Additions	-
Terminations	-
Interest expense	-
Lease payments	-
Balance at 31 March 2020	1,128

The maturity analysis of the lease liabilities at 31 March 2020 was as follows:

Due within one year	£000 887
Due between one and two years	125
Due between two and five years	116
Due after more than five years	-
	1,128

Notes (continued)

12 Investments

Subsidiaries and associates

	£000
<i>Cost</i>	
At beginning of year	151,992
Additions	-
Disposals	-
	<hr/>
At end of year	151,992
	<hr/>
<i>Impairment</i>	
At beginning of year	24,900
Impairment charge	-
Disposals	-
	<hr/>
At end of year	24,900
	<hr/>
<i>Net book value</i>	
At 31 March 2020	127,092
	<hr/>
At 31 March 2019	127,092
	<hr/>

Notes (continued)

12 Investments (continued)

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

	Country of incorporation	Registered address	Holding	Ownership 2020 %	Ownership 2019 %
Makita International Europe (formerly Makita U.K)	England and Wales	Michigan Drive, Tongwell, Milton Keynes, Bucks MK15 8JD	Ordinary	100	100
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 Mame-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 Scampione 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	25
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, Achames, 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.Bratianu nr. 164 Depozit Faza 3, 077030 Branesti Ilfov	Ordinary	100	100
Makita S.A.	Switzerland	Chemini 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 Yovchka 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	Komunalnaya 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.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £000	2019 £000	Net 2020 £000	2019 £000
Tangible fixed assets	(94)	-	(94)	-
Tax assets	(94)	-	(94)	-
Net tax assets	(94)	-	(94)	-

Movement in deferred tax during the year

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

14 Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	85,279	-

15 Debtors

	2020 £000	2019 £000
Trade receivables	36,558	-
Amounts owed by group undertakings	132	205
Other financial assets – Forward Exchange contracts	11	-
Corporation tax to be refunded	441	-
Other debtors	786	24
	<u>37,928</u>	<u>229</u>

Amounts owed by group undertakings are trading balances receivable under standard terms.

Notes (continued)

16 Creditors

Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,634	7
Amounts due to group undertakings	128,005	144
Corporation tax payable	-	13
Other taxation and social security	1,697	2
Accruals and deferred income	10,054	16
Foreign currency forward contracts	80	-
Lease liabilities (note 11)	887	-
	<u>142,359</u>	<u>182</u>

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

Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities (note 11)	241	-
Warranty liabilities	221	-
	<u>462</u>	<u>-</u>

17 Capital and reserves

Share capital

	Ordinary shares	
	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
106,216,855 ordinary shares of £ 1 each	106,217	106,217
	<u>106,217</u>	<u>106,217</u>

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.

After the balance sheet date total dividends of £21,600,000 equivalent to 20.3p per qualifying ordinary share have been paid. Dividends from subsidiaries were proposed, which provided sufficient funds for the company's dividend payment.

18 Capital commitments

The company had no capital commitments at 31 March 2020 (2019: £nil)

19 Contingencies

The company had no contingencies at 31 March 2020 (2019: £nil)

Notes (continued)

20 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.

	2020 £000	2019 £000
Makita France SA		
Amounts were charged to the related party in respect of management service, IT support service	138	115
At the year end the amounts owed by the related party	16	25
At the year end the amounts owed to the related party	70	-
Amounts paid to the related party during the year	1	20

21 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.

22 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 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.

23 Transfer of trade and assets

On 31 March 2020 the Company's wholly owned subsidiary, Makita International Europe Limited (formerly Makita (UK) Limited), transferred its trade and assets into the Company at book value for consideration of £106,072,000. These balances have been transferred at book value as this is a common control transaction and both entities applied FRS 101, therefore there were no changes to the book value on transfer. Details of the resulting assets and liabilities acquired are shown below:

Acquiree's net assets at the acquisition date:	£000
Tangible fixed assets	976
Right-of-use Assets	1,127
Intangible assets	1,498
Stocks	85,279
Trade and other debtors	37,832
Cash	15,910
Deferred tax assets	94
Trade and other creditors	(36,182)
Long term liabilities	(462)
Net identifiable assets and liabilities	106,072