

UK KOYU CORPORATION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PAGES FOR FILING WITH REGISTRAR
FOR THE YEAR ENDED 28 FEBRUARY 2019

UK KOYU CORPORATION LIMITED

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UK KOYU CORPORATION LIMITED**BALANCE SHEET
AS AT 28 FEBRUARY 2019**

	Note	2019 £	2018 £
Fixed assets			
Investments	4	425	425
Investment property	5	30,670,000	29,950,000
		<u>30,670,425</u>	<u>29,950,425</u>
Current assets			
Debtors: amounts falling due within one year	6	99,899,502	102,787
Cash at bank and in hand	7	13,160,285	3,576,341
		<u>113,059,787</u>	<u>3,679,128</u>
Creditors: amounts falling due within one year	8	(19,978,998)	(21,485,124)
Net current assets/(liabilities)		<u>93,080,789</u>	<u>(17,805,996)</u>
Total assets less current liabilities		<u>123,751,214</u>	<u>12,144,429</u>
Net assets		<u><u>123,751,214</u></u>	<u><u>12,144,429</u></u>
Capital and reserves			
Called up share capital	10	5,000,000	5,000,000
Share premium account		9,503,657	-
Other reserves		(278,620)	(998,620)
Profit and loss account		109,526,177	8,143,049
		<u><u>123,751,214</u></u>	<u><u>12,144,429</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
Y Erikawa
Director

Date: 25 November 2019

UK KOYU CORPORATION LIMITED

BALANCE SHEET (CONTINUED)
AS AT 28 FEBRUARY 2019

The notes on pages 4 to 12 form part of these financial statements.

UK KOYU CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2019

	Called up share capital £	Share premium account £	Investment property reserves £	Merger reserve £	Profit and loss account £	Total equity £
At 1 March 2017	5,000,000	-	(998,620)	-	4,933,885	8,935,265
Profit for the year	-	-	-	-	3,209,164	3,209,164
At 1 March 2018	5,000,000	-	(998,620)	-	8,143,049	12,144,429
Loss for the year	-	-	-	-	(6,218,244)	(6,218,244)
Shares issued during the year	5,000,000	9,503,657	-	-	-	14,503,657
Shares cancelled during the year	(5,000,000)	-	-	-	-	(5,000,000)
Transfer to/from profit and loss account	-	-	720,000	08,321,372)	07,601,372	-
Other movement	-	-	-	08,321,372	-	08,321,372
At 28 February 2019	<u>5,000,000</u>	<u>9,503,657</u>	<u>(278,620)</u>	<u>-</u>	<u>09,526,177</u>	<u>23,751,214</u>

The notes on pages 4 to 12 form part of these financial statements.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

1. General information

UK Koyu Corporation Ltd is a private company limited by share capital, incorporated in England and Wales, registration number 06628063. The address of the registered office is 2 St. James's Place, London, SW1A 1NP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.5 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.7 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

2. Accounting policies (continued)

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

Annual transfers are made between the profit and loss account and the investment property reserve to the value of any gains and losses recognised in respect of investment properties in the year. These gain are not distributable until such time that the properties are sold. At the point that these gains or losses are realised the company will make the transfer from the investment property reserve to the profit and loss account in the sum of the realised gain or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

2. Accounting policies (continued)

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Employees

The average monthly number of employees, including directors, during the year was 2 (2018 - 2).

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

4. Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
Cost or valuation			
At 1 March 2018	-	425	425
Additions	108,032,417	12,103,444	120,135,861
Disposals	(108,032,417)	(5,000,000)	(113,032,417)
Amounts written off	-	(7,103,444)	(7,103,444)
	<hr/>	<hr/>	<hr/>
At 28 February 2019	<u>-</u>	<u>425</u>	<u>425</u>

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

5. Investment property

	Freehold investment property £
Valuation	
At 1 March 2018	29,950,000
Surplus on revaluation	720,000
	<u>30,670,000</u>
At 28 February 2019	<u>30,670,000</u>

The 2019 valuations were made by the directors, on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	30,948,620	30,948,620
Revaluation	(278,620)	(998,620)
	<u>30,670,000</u>	<u>29,950,000</u>

Investment properties with carrying amount of £30,670,000 (2018: £29,950,000) have been pledged to secure bank loans as detailed in notes 8.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

6. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	99,611,600	-
Other debtors	273,313	81,778
Prepayments and accrued income	14,589	21,009
	<u>99,899,502</u>	<u>102,787</u>

7. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>13,160,285</u>	<u>3,576,341</u>

Cash at bank and in hand is measured at fair value, which is calculated as amounts held on deposit at banks employed by the company less any impairments. No impairments to cash balances have been made in these accounts as all cash deposits are held at credible financial institutions.

8. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	19,595,858	21,162,098
Trade creditors	-	3,600
Other taxation and social security	108,933	118,969
Other creditors	-	1
Accruals and deferred income	274,207	200,456
	<u>19,978,998</u>	<u>21,485,124</u>

The bank loans are secured by fixed charges over investment properties held by the company.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

9. Operating lease income

As at 28 February 2018 the company was due to receive future operating lease income as follows:

	2019 £	2018 £
Within one year	1,716,863	1,797,709
Between 2-5 years	6,013,443	6,120,000
Over 5 years	-	626,137
	<u>7,730,306</u>	<u>8,543,846</u>

Amounts disclosed above do not include income receivable under expired rental agreements that are subsequently continued on a rolling basis.

10. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
5,000,000 (2018 - 5,000,000) Ordinary shares of £1.00 each	<u>5,000,000</u>	<u>5,000,000</u>
On the 2 January 2019, UK Koyu Corporation Limited issued 5 million ordinary shares at a premium and subsequently cancelled 5 million ordinary shares on the same day.		

11. Post balance sheet events

On the 19th March 2019 UK Koyu Corporation Limited exchanged contracts to sell one of its investment properties. The sale was completed on 26 March 2019 for an agreed sale price of £8,170,000.

UK KOYU CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2019

12. Controlling party

On the 2 January 2019, UK Koyu Corporation Limited entered into a cross-boarder merger whereby assets of its immediate holding company European Koyu Corporation B.V. (registered in the Netherlands under number: 34278056) were transferred to the company in exchange for the company issuing five million £1 ordinary shares to Koyu Co. Ltd (registered in Japan under number: 0200-01-039050). European Koyu Corporation B.V. was subsequently and immediately liquidated.

This transaction is undertaken under the UK Companies (Cross-Border Mergers) Regulations 2007 (SI 2007/2974) (the 'Regulations') which implemented the EU Directive on Cross-Border Mergers of Limited Liability Companies (2005/56/EC) (the 'Directive').

Per the Directive, as a consequence, a merger reserve was created with the transaction.

On 12 February 2019 the company sold its investment in Koei Tecmo Holding Co., Ltd (KTH). At which point the cumulative excess of the market value, of the shares in KTH, over it's historical cost was transferred from the merger reserve directly into the profit and loss reserve.

The smallest group for which consolidated financial statements are drawn up is headed by Koyu Co. Ltd (registered in Japan under number: 0200-01-039050) whose registered office is 2-chrome 11-25 Hiyoshi, Kohoku-ku, Yokohama-shi, Kanagawa-ken, 223-0061, Japan.

13. Auditor's information

The auditor's report on the financial statements for the year ended 28 February 2019 was unqualified.

The audit report was signed on 25 November 2019 by Daniel Burke (Senior statutory auditor) on behalf of Blick Rothenberg Audit LLP

Chartered Accountants & Statutory Auditor.

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