Company Registration No. 01422605

The Pilot Pen Company (U.K.) Limited

Report and Financial Statements

31 December 2013

The Pilot Pen Company (U.K.) Limited

Report and financial statements 2013

Contents

The Pilot Pen Company (U.K.) Limited

Report and financial statements 2013

Officers and professional advisers

Directors

H Watanabe
M Ringeard
N Baba (resigned 21 June 2013)
S Matsui (resigned 21 June 2013)
P Phelan (appointed 20 June 2012)
M Shirakawa (appointed 21 June 2013)
M Mizuumi (appointed 21 June 2013)
D Skelton (resigned 30 April 2012)

Secretary

Bristows Secretarial Limited

Registered Office

4 Dukes Meadow
Millboard Road
Bourne End
Bucks
SL8 5XF

Bankers

National Westminster Bank PLC
The Bank of Tokyo-Mitsubishi UFJ Limited

Solicitors

Bristows LLP
100 Victoria Embankment
London
EC4Y 0DH

Auditor

Deloitte LLP
Reading
United Kingdom

The Pilot Pen Company (U.K.) Limited

Report and financial statements 2013

Strategic Report

Directors

The directors, in preparing this Strategic Report, have compled with s414C of the Companies Act 2006.

Principal activities

The principal activities of the group continue to be the sale, marketing and distribution of writing instruments and ancillary products.

The company operates as part of a group of companies headed and ultimately controlled by Pilot Corporation, a company incorporated in Japan.

Business review

The company continued to trade in writing instruments and ancillary products throughout the year. As shown in the company's statement of comprehensive income on page 8, the company made a profit for the year after taxation of £306,066 (2012: £220,915). The company's key performance indicators are sales, gross profit margin and operating profit:

- sales have increased by 8.3% from £8,991,488 in 2012 to £9,740,068 in 2013;
- gross profit margin has increased from 31.4% in 2012 to 32.4% in 2013; and
- operating profits have increased from £330,157 profit in 2012 to £422,406 profit in 2013.

The directors are pleased with the results for the year.

An interim dividend of £nil was declared and paid by the company for 2013 (2012: £nil). The directors recommend a final dividend of £100,000 (2012: £nil).

Financial position and future prospects

As at the balance sheet date the company had shareholders' funds of £5,171,955 (2012: £4,865,889). The directors believe that the company is soundly based to continue with its present activities.

Principal risks and uncertainties

Risk of technology reducing pen use
In an increasingly digital age, traditional products are under increasing pressure in terms of market size. The market does however remain a significant one and Pilot Corporation through ongoing investment in innovation, as well as consumer engagements to find and justify new reasons for pen usage, sees opportunities for improved share gains, that will more than offset volume declines

The Pilot Pen Company (U.K.) Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditor's report, for the year ended 31 December 2013. The company has elected to prepare its financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS").

Going concern

The company's business activities, together with its key financial risks, management and objectives have been set out in the Directors' Report. The key risk to the company's ongoing trading results is changes in foreign currency exchange rates affecting the price of goods purchased. Note 22 to the financial statements includes the company's policies and processes for managing this risk.

The directors have reviewed the previous 12 months' trading positions and anticipated future results and have taken such steps to reasonably provide for possible future changes in currency exchange and the UK economy. The company has considerable financial resources, in addition to access to a group financing facility, and flexibility in payment terms from group creditors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

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

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow risk and credit risk. The use of financial derivatives is governed by Pilot Corporation Group Accounting Rules, which provide written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge these exposures by entering into contracts with its bankers to purchase ahead foreign currency at a fixed rate to settle specific liabilities, thereby ensuring certainty of future cash flows.

Credit risk

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables as bank and cash balances are with counterparties with recognised credit ratings. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made:

- where there is information on specific debts indicating full recovery may be in doubt; and
- for trade receivables in general, by way of provision for a proportion of receivables becoming doubtful in the future - such provision being reviewed annually and set at a level reasonable in relation to the total trade receivables balance.

The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Directors

The membership of the Board as at the year-end, and to the date of signing these financial statements, is set out on page 1.

The Pilot Pen Company (U.K.) Limited

Directors' report (continued)

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by those terms of payment.

At 31 December 2013, the company's trade creditors, expressed as a number of days, was 92 days (2012: 148 days).

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

On behalf of Bristows Secretarial Limited

25 June 2014

The Pilot Pen Company (U.K.) Limited

Directors' responsibilities statement

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of The Pilot Pen Company (U.K.) Limited

We have audited the financial statements of The Pilot Pen Company (U.K.) Limited for the year ended 31 December 2013 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of The Pilot Pen Company (U.K.) Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

D. Leslie

Duncan Leslie ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
25 June 2014

Statement of comprehensive income for the year ended 31 December 2013

	Notes	2013 £	2012 £
Revenue	5	9,740,068	8,991,488
Cost of sales		(6,581,006)	(6,164,937)
Gross profit		3,159,062	2,826,551
Distribution costs		(746,312)	(606,576)
Administrative expenses		(1,990,344)	(1,889,818)
Operating profit		422,406	330,157
Finance income	8	611	1,509
Finance costs	9	(6,385)	(18,325)
Profit before tax		416,632	313,341
Tax	10	(110,566)	(92,426)
Profit for the year	6	306,066	220,915
Total comprehensive income for the year	18	306,066	220,915

All results derive from continuing operations.

The Pilot Pen Company (U.K.) Limited

Balance sheet
As at 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Other intangible assets	11	13,733	25,222
Property, plant and equipment	12	2,471,522	2,542,184
Deferred tax	15	29,465	25,060
		2,514,720	2,592,466
Current assets			
Inventories	13	2,534,417	2,881,251
Trade and other receivables	14	2,311,879	2,177,301
Cash and cash equivalents	14	597,220	230,186
		5,443,516	5,288,738
Total assets		7,958,236	7,881,204
Current liabilities			
Trade and other payables	16	2,786,281	3,015,315
		2,786,281	3,015,315
Net current assets		2,657,235	2,273,423
Total liabilities		2,786,281	3,015,315
Net assets		5,171,955	4,865,889
Equity			
Share capital	17	640,000	640,000
Retained earnings	18	4,531,955	4,225,889
Total equity		5,171,955	4,865,889

The financial statements of The Pilot Pen Company (U.K.) Limited (registered number 01422605) were approved by the Board of Directors and authorised for issue on 25 June 2014.

They were signed on its behalf by:

P Phelan
Director

The Pilot Pen Company (U.K.) Limited

Statement of changes in equity for the year ended 31 December 2013

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2012	640,000	4,004,974	4,644,974
Total comprehensive expense for the year	-	220,915	220,915
Balance at 1 January 2013	640,000	4,225,889	4,865,889
Total comprehensive income for the year	-	306,066	306,066
Balance at 31 December 2013	640,000	4,531,955	5,171,955

The Pilot Pen Company (U.K.) Limited

Statement of cash flows
for the year ended 31 December 2013

	Note	2013 £	2012 £
Net cash from/(used in) operating activities	19	453,365	(182,530)
Investing activities			
Interest received		611	1,509
Proceeds on disposal of property, plant and equipment		25,047	21,951
Purchases of property, plant and equipment		(109,089)	(113,171)
Purchases of intangible assets		(2,900)	(19,727)
Net cash used in investing activities		(86,331)	(109,438)
Net increase/(decrease) in cash and cash equivalents		367,034	(291,968)
Cash and cash equivalents at beginning of year		230,186	522,154
Cash and cash equivalents at end of year		597,220	230,186
Cash and cash equivalents comprises:			
Cash at bank and in hand		597,220	230,186

The Pilot Pen Company (U.K.) Limited

Notes to the financial statements for the year ended 31 December 2013

1. Basis of preparation

The Pilot Pen Company (U.K.) Limited is a company incorporated in the United Kingdom. The company is required to comply with the provisions of the Companies Act 2006. The address of the registered office is given on page 1.

The company's principal activities are set out in the Strategic Report.

The company has elected to prepare its financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRS").

2. Adoption of new and revised standards

Standards, amendments and interpretations that became effective and were adopted, where applicable, in 2012 but have no effect on the Company's operations:

IAS 24 (revised)	Related Party Disclosures
IFRIC 14 (amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Other	Various amendments from the Annual Improvements 2012

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company (and in some cases have not yet been adopted by the EU):

IFRS 1 (amendment)	Removal of Fixed Dates for First-time Adopters, First Time Adoption of IFRSs after a period of Severe Hyperinflation
IFRS 7 (amendment)	Financial Instruments: Disclosures
IFRS 9	Financial Instruments (2010)
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amendment)	Presentation of Items of Other Comprehensive Income
IAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (amendments)	Employee Benefits(2012)
IAS 27 (2012)	Separate Financial Statements
IAS 28 (2012)	Investments in Associates and Joint Ventures
Other	Various amendments from the Annual Improvements 2012

The directors anticipate that the adoption of the standards and interpretations in future periods will have no material impact on the financial statements of the company.

Notes to the financial statements for the year ended 31 December 2013

3. Significant accounting policies

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The principal accounting policies are set out below.

Going concern

The company's business activities, together with its key financial risks, management and objectives have been set out in the Strategic Report and the Directors' Report. The key risk to the company's ongoing trading results is changes in foreign currency exchange rates affecting the price of goods purchased. Note 22 to the financial statements includes the company's policies and processes for managing this risk.

The directors have reviewed the previous 12 months' trading positions and anticipated future results and have taken such steps to reasonably provide for possible future changes in currency exchange and the UK economy. The company has considerable financial resources, in addition to access to a group financing facility, and flexibility in payment terms from group creditors. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

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

Revenue recognition

Revenue represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of volume discounts and value added tax.

Revenue is recognised when the goods are delivered to the customer.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents the purchase price of goods held for resale including duty and packaging. Provision is made for obsolete and slow moving items.

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	20% per annum
Freehold property	2% - 3% per annum
Fixtures, fittings and equipment	20% - 33% per annum
Motor vehicles	33% per annum

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Software is amortised over its estimated useful life, which is on average 3 years.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and The Pilot Pen Company (U.K.) Limited intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements for the year ended 31 December 2013

3. Significant accounting policies (continued)

Leases

Rental costs under operating leases are charged to the income statement in equal amounts over the period of the lease.

Pension costs

Retirement benefits to employees are provided by a defined contribution scheme. Contributions payable to the scheme in respect of each accounting period are charged to the income statement.

Foreign currencies

The financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial Assets. All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL. Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (continued)

Financial instruments (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the normal average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the financial statements for the year ended 31 December 2013

3. **Significant accounting policies (continued)**

Financial instruments (continued)

Cash and cash equivalents. Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

De-recognition of financial assets. The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL. Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities. The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Notes to the financial statements for the year ended 31 December 2013

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision at the balance sheet date is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the amounts are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of The Pilot Pen Company (U.K.) Limited's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors consider that the critical judgements are stock valuation (including provision for slow moving and obsolete items) and fair value of derivative financial instruments.

5. Revenue

A geographical analysis of the company's revenue by destination is as follows:

	2013 £	2012 £
United Kingdom	9,598,170	8,872,490
Other European countries	141,898	118,998
Total revenue	9,740,068	8,991,488

Including £611 of interest income (2012: £1,509) total revenue as defined by IAS 18 was £9,740,679 (2012: £8,992,997)

Notes to the financial statements for the year ended 31 December 2013

6. Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging/(crediting):

	2013 £	2012 £
Cost of inventories recognised as an expense	6,387,801	5,989,377
Write down of inventories (release)/charge	(13,108)	43,682
Impairment loss recognised on trade receivables	4,781	2,749
Depreciation of tangible fixed assets	169,137	157,470
Amortisation of intangible assets recognised as an administrative expense	14,389	23,608
Profit on disposal of fixed assets	(14,433)	(20,351)
Gain on foreign exchange translation	(40,403)	(105,778)
Auditor's remuneration:		
- audit fees	33,063	32,234
- non-audit fees	8,100	7,525
Staff costs (see note 7)	1,486,762	1,492,388

The remuneration due to the auditors for non-audit services is for tax compliance services.

7. Staff costs

The average monthly number of employees (including directors) was:

	2013 Number	2012 Number
Sales and distribution	8	7
Administration	22	23
	30	30

	2013 £	2012 £
Their aggregate remuneration comprised:		
Wages and salaries	1,277,887	1,282,078
Social security costs	147,596	149,791
Other pension costs (see note 21)	61,279	60,519
	1,486,762	1,492,388

Notes to the financial statements for the year ended 31 December 2013

7. Staff costs (continued)

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2013 £	2012 £
Emoluments	140,588	171,348
Pension contributions	6,762	9,043
Compensation for loss of office	-	34,527
	147,350	214,918

The highest paid director received salary and benefits (excluding pension contribution) of £106,537 (2012: £68,043), pension contributions of £4,944 (2012: £3,720) and compensation for loss of office of £nil (2012: £34,500). Three directors (2012: three) received remuneration from other group companies. The allocation of these costs to this company is £nil (2012: £nil).

At 31 December 2013, for the highest paid director the amount of pension accrued was £nil (2012: £nil).

8. Finance income

	2013 £	2012 £
Interest on bank deposits	611	1,509

9. Finance costs

	2013 £	2012 £
On amounts owed to group companies	6,385	18,317
Other interest expense	-	8
Total borrowing costs	6,385	18,325

Notes to the financial statements for the year ended 31 December 2013

10. Tax

	2013 £	2012 £
Current tax	126,323	99,605
Adjustments in respect of prior years	(11,352)	(14,368)
Total current tax	114,971	85,237
Deferred tax charge (see note 15):		
Current year adjustment	(4,405)	2,654
Adjustment in respect of prior year	-	4,535
Tax charge	110,566	92,426

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows

	2013 £	2012 £
Profit on ordinary activities before taxation	416,632	313,341
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	96,867	76,769
Expenses not deductible for tax purposes	25,051	25,491
Adjustments in respect of prior years	(11,352)	(9,834)
Tax charge for the year	110,566	92,426

Notes to the financial statements for the year ended 31 December 2013

11. Intangible fixed assets

	Computer software £
Cost	
At 1 January 2012	135,762
Additions	19,727
At 1 January 2013	155,489
Additions	2,900
At 31 December 2013	158,389
Amortisation	
At 1 January 2012	106,659
Charge for the year	23,608
At 1 January 2013	130,267
Charge for the year	14,389
At 31 December 2013	144,656
Net book value	
At 31 December 2013	13,733
At 31 December 2012	25,222

Software is amortised over its estimated useful life, which is on average 3 years.

Notes to the financial statements for the year ended 31 December 2013

12. Property, plant and equipment

	Leasehold improvements £	Freehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2012	122,240	3,174,406	342,495	281,413	3,920,554
Additions	7,189	-	9,008	96,974	113,171
Disposals	-	-	-	(104,088)	(104,088)
At 1 January 2013	129,429	3,174,406	351,503	274,299	3,929,637
Additions	5,858	-	23,205	80,026	109,089
Disposals			(117,572)	(60,564)	(178,136)
At 31 December 2013	135,287	3,174,406	257,136	293,761	3,860,590
Accumulated depreciation					
At 1 January 2012	119,033	763,135	308,763	141,540	1,332,471
Charge for the year	874	59,032	11,908	85,656	157,470
Eliminated on disposal	-	-	-	(102,488)	(102,488)
At 1 January 2013	119,907	822,167	320,671	124,708	1,387,453
Charge for the year	2,890	59,032	10,857	96,358	169,137
Eliminated on disposal	-	-	(117,572)	(49,950)	(167,522)
At 31 December 2013	122,797	881,199	213,956	171,116	1,389,068
Net book value					
At 31 December 2013	12,490	2,293,207	43,180	122,645	2,471,522
At 31 December 2012	9,522	2,352,239	30,832	149,591	2,542,184

13. Inventories

	2013 £	2012 £
Finished goods	2,534,417	2,881,251

Notes to the financial statements for the year ended 31 December 2013

14. Other financial assets

Trade and other receivables

	2013 £	2012 £
Amounts receivable for the sale of goods	2,305,266	2,147,457
Allowance for doubtful receivables	(87,781)	(85,749)
	2,217,485	2,061,708
Amounts owed by group companies:		
Fellow subsidiaries	15,522	19,805
Corporation tax	-	-
Other debtors	1,715	6,383
Prepayments and accrued income	77,157	89,405
	2,311,879	2,177,301

Trade receivables

Total trade receivables (net of allowances) held by The Pilot Pen Company (U.K.) Limited at 31 December 2013 amounted to £2,217,485 (2012: £2,061,708), comprising the amount presented above.

The average credit period taken on sales of goods is 71 days (2012: 69 days). No interest is charged on the receivables. Before accepting any new customer, The Pilot Pen Company (U.K.) Limited uses an external credit scoring system to assess the potential customer's credit quality (and should such information not be available, trade references are taken up in lieu) and defines credit limits by customer.There are no customers who represent more than 13.9% (2012: 12.2%) of the total balance of trade receivables (pre Allowance for doubtful receivables).

Included in The Pilot Pen Company (U.K.) Limited's trade receivable balance are debtors with a carrying amount of £359,472 (2012: £468,152) which are past due at the reporting date for which The Pilot Pen Company (U.K.) Limited has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 52 days (2012: 78 days).

Ageing of past due but not impaired receivables

	2013 £	2012 £
0-60 days	342,616	337,109
60-90 days	10,643	123,095
90+ days	6,213	7,948
Total	359,472	468,152

Notes to the financial statements for the year ended 31 December 2013

14. Other financial assets (continued)

Movement in the allowance for doubtful debts

	2013 £	2012 £
Balance at the beginning of the year	85,749	96,445
Amounts provided for in the year	4,781	2,749
Amounts written off during the year as uncollectable	(2,749)	(13,445)
Balance at the end of the year	87,781	85,749

In determining the recoverability of a trade receivable The Pilot Pen Company (U.K.) Limited considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £ 4,203 (2012: £2,749) which have been placed under administration/liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected administration/liquidation proceeds.

Ageing of trade receivables for which an element is provided:

	2013 £	2012 £
0-60 days	575	-
60-90 days	1,102	-
90+ days	3,104	2,749
Total	4,781	2,749

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

	2013 £	2012 £
Cash and cash equivalents	597,220	230,186

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Notes to the financial statements for the year ended 31 December 2013

14. Other financial assets (continued)

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

15. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period

	Accelerated tax depreciation £	Short term timing differences £	Total £
At 1 January 2012	11,499	20,750	32,249
Charge to income	(5,529)	(1,660)	(7,189)
At 1 January 2013	5,970	19,090	25,060
Charge to income	6,895	(2,490)	4,405
As 31 December 2013	12,865	16,600	29,465

The UK corporation tax rate fell from 24% to 23% from 1 April 2013 and will fall to 21% from 1 April 2014. A further reduction in the UK corporation tax rate to 20% was announced in 2013, which is expected to take effect from 1 April 2015. Since these further reductions had not been substantively enacted at the balance sheet date, their impact is not included in these financial statements. The effects of these rate changes on the deferred tax asset are not considered to be material.

Notes to the financial statements for the year ended 31 December 2013

16. Other financial liabilities

Trade and other payables

	2013 £	2012 £
Trade creditors	134,819	275,104
Amounts owed to group companies:-		
Fellow subsidiaries	1,157,383	1,515,203
Corporation tax	126,324	99,605
Other taxation and social security	343,093	303,042
Accruals and deferred income	1,024,662	822,361
Derivative financial instruments	-	-
	2,786,281	3,015,315

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 92 days (2012: 148 days).

The directors consider that the carrying amount of trade payables approximates to their fair value. All financial liabilities are due to be settled within 12 months of the balance sheet date.

17. Share capital

	2013 £	2012 £
Authorised:		
640,000 ordinary shares of £1 each	640,000	640,000
Issued and fully paid:		
640,000 ordinary shares of £1 each	640,000	640,000

The company has one class of ordinary shares which carry no right to fixed income.

18. Retained earnings

	£
Balance at 1 January 2012	4,004,974
Profit for the year	220,915
Balance at 1 January 2013	4,225,889
Profit for the year	306,066
Balance at 31 December 2013	4,531,955

Notes to the financial statements for the year ended 31 December 2013

19. Notes to the cash flow statement

	2013 £	2012 £
Profit for the year	306,066	220,915
Adjustments for:		
Interest received	(611)	(1,509)
Interest paid	6,385	18,325
Income tax expense	110,566	92,426
Amortisation of software	14,389	23,608
Depreciation of property, plant and equipment	169,137	157,470
Gain on disposal of property, plant and equipment	(14,433)	(20,351)
Decrease in provisions	-	(65,653)
Operating cash flows before movements in working capital	591,499	425,231
Decrease in inventories	346,834	95,114
(Increase)/decrease in receivables	(127,634)	130,276
Decrease in payables	(262,697)	(864,357)
Cash generated by operations	548,002	(213,736)
Income taxes (paid)/refunded	(88,252)	49,531
Interest paid	(6,385)	(18,325)
Net cash from operating activities	453,365	(182,530)

20. Operating lease arrangements

At 31 December 2013, the company had no operating leases (2012: £nil).

21. Retirement benefit schemes

Defined contribution schemes

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

The pension cost represents contributions payable by the company to the fund and amounted to total £ 61,279 (2012: £60,519) during the year.

At 31 December 2013, the amount of pension prepaid/accrued was £nil (2012: £nil).

Notes to the financial statements for the year ended 31 December 2013

22. Financial instruments

Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2009.

The capital structure of the company consists of equity, comprising issued capital and retained earnings as disclosed in notes 17 and 18.

The company is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	Carrying value 2013 £	Carrying value 2012 £
Financial (liabilities)/assets		
Derivative instruments – FVTPL	-	-

Other financial assets and financial liabilities are disclosed in note 14 and note 16.

Fair value of financial instruments

In accordance with the amendments to IFRS 7, the company has categorised its financial instruments into a three level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. The financial instruments held are all considered to be Level 2.

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The carrying amounts of financial assets and financial liabilities are recorded at amortised cost in the financial statements and approximate their fair values.

Notes to the financial statements for the year ended 31 December 2013

22. Financial instruments (continued)

Financial risk management objectives

Market risk

The company's activities expose it primarily to the risk of changes in foreign currency exchange rates. The company enters into foreign exchange forward contracts to hedge these exposures by entering into contracts with its bankers to purchase ahead foreign currency at a fixed rate to settle specific liabilities, thereby ensuring certainty of future cash flows.

Foreign currency risk management

The company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2013	2012	2013	2012
	£	£	£	£
Euro	284,007	1,263,589	5,229	5,060
Yen	823,518	236,285	-	6

Foreign currency sensitivity analysis

The Pilot Pen Company (U.K.) Limited is exposed to Euro and Japanese Yen.

The following table details The Pilot Pen Company (U.K.) Limited's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to fellow group companies where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency.

For a 10% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative

	Currency impact	
	2013	2012
	£	£
Profit/equity increase re. Sterling 10% strengthening against Euro	128,280	197,833
Profit/equity increase re. Sterling 10% strengthening against Yen	485,253	358,263
	613,533	556,096

The foreign currency impacts shown above arise due to, receipts and assets in Euro and, assets, purchases and liabilities in Yen.

22. Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the company to enter into forward foreign exchange contracts to cover specific foreign currency payments.

The following table details the forward foreign currency contracts outstanding as at the year end:

Outstanding contracts	Average exchange rate 2013	Average exchange rate 2012	Foreign currency 2013	Foreign currency 2012	National value 2013 £	National value 2012 £	Fair value (loss)/gain 2013 £	Fair value (loss)/gain 2012 £
Buy Euro:								
Less than 3 months	-	-	-	-	-	-	-	-
Buy Yen:								
Less than 3 months	-	-	-	-	-	-	-	-
			-	-	-	-	-	-

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short-, medium- and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement.

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month £	1-3 months £	3 months to 1 year £	Total £
2012				
Foreign exchange forward contracts	-	-	-	-
2013				
Foreign exchange forward contracts	-	-	-	-

Notes to the financial statements for the year ended 31 December 2013

23. Related party transactions

The company sold stock at cost of £66,639 (2012: £27,137) to other group companies. The company purchased stock of £5,801,678 (2012: £5,670,255) from other group companies. The company paid management fees and royalties to its parent company in 2008, but the parent company waived such fees and royalties for 2009, 2010, 2011, 2012 and 2013.

At 31 December 2013, the company was owed by other group compnies £15,522 (2012: £19,805) and owed to other group companies £1,157,383 (2012: £1,515,203).

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out in note 7.

Directors' transactions

At 31 December 2013, a £nil (2012: £22) expenses float has been loaned to one of the directors.

24. Ultimate holding company

The ultimate holding company and controlling party is Pilot Corporation, incorporated in Japan.

Pilot Corporation's financial statements are the only consolidated financial statements in which these results are included. A copy of these financial statements may be obtained from 6-21 Kyobashi 2-Chome, Chuo-ku, Tokyo 104-8304, Japan.