

Registered number: 02607806

SANOH UK MANUFACTURING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017



SANOH UK MANUFACTURING LIMITED

COMPANY INFORMATION

DIRECTORS

P Davis
R Filer (appointed 9 May 2016)
R Hill (appointed 9 May 2016)
M Masuda
K Oyama
M Sasaki
G Takeda (resigned 16 May 2017)
W Burke (resigned 6 May 2016)

COMPANY SECRETARY

R Hill

REGISTERED NUMBER

02607806

REGISTERED OFFICE

Grandeur Point
Fourth Way
Avonmouth
Bristol
BS11 8DL

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

BANKERS

Lloyds Bank Plc
15 High Street
Westbury-On-Trym
Bristol
BS9 3DA

Bank of Tokyo-Mitsubishi UFJ Limited
25 Ropemaker Street
London
EC2Y 9AN

SANOH UK MANUFACTURING LIMITED

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SANOH UK MANUFACTURING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

INTRODUCTION

The directors present the Strategic Report of Sanoh UK Manufacturing Limited (the "company") for the year ended 31 March 2017.

BUSINESS REVIEW

The company has performed satisfactorily during the year in a very challenging market place, with a profit for the financial year of £1.9m. The biggest contributor to the fall from the £2.9m achieved in 2015/16 is the increased cost of materials with the weakened pound following the Brexit referendum. The market is expected to remain challenging in 2017/18 especially with the uncertainty generated by the Brexit vote and negotiations.

The consequences of the results of the European Union referendum held on 23 June 2016 are difficult to predict at this stage, as there is likely to be a period of uncertainty over the consequential effects on the nature, timing and scope of UK government policies, regulation and requirements that will subsequently apply.

However, we continue to invest in our processes to retain our competitiveness in our traditional products, as well as investigating alternative products on which our skill base can be utilised, as a key part of our strategy to be equipped to evolve with the automotive industry.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks affecting the company are set out below:

Competition

The limited number of competitors in the UK is a reflection of the limited number of car manufacturers in the country and the number of major contracts available. Competition for each contract is still fierce as the automotive companies are adept at managing contract negotiations whatever the number of potential suppliers.

We are therefore well aware of the threat from the competition and seek to mitigate it by maintaining close communications with our customers at all times and continually reviewing our manufacturing and business processes to improve the service we offer.

Product warranty

Even with a very good track record, total cover against all warranty costs would be prohibitively expensive but we believe it is right to have a limited cover in place. However, the cost of that limited cover would increase significantly with a poor claims record and so the main defence against warranty costs has to remain a focus on product quality.

Market

There is a clear exposure to market risk, with a small number of customers in one business sector and very little opportunity to expand into exports. We seek to expand our customer base whenever possible but see ourselves continuing to be an automotive component supplier for the foreseeable future. A few years of making reasonable profits has provided the opportunity to rebuild our reserves and develop the strength to help ride out short term market changes and allow the time to adapt the company structure for longer term changes.

SANOH UK MANUFACTURING LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**

KEY PERFORMANCE INDICATORS

	2017	2016	
Growth in sales	9.8%	(3%)	Year on year sales growth/(reduction) expressed as a percentage
Customer rejects	14.4	12.6	Average of customer rejects per million parts delivered as reported by our major customers
On time deliveries	99.92%	99.7%	Average of on time delivery performance as reported by our major customers who demand timed delivery schedules each day

This report was approved by the board on **12/9/17**

and signed on its behalf.

P Davis
Director



SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

RESULTS AND DIVIDENDS

The results for the company show a profit for the financial year of £1,919,000 (2016: £2,936,000) and turnover of £27,911,000 (2016: £25,425,000). The company has net funds of £2,583,000 (2016: £4,579,000). Net cash flow from operating activities was £2,874,000 (2016: £2,722,000).

The directors have proposed the payment of a dividend of £Nil (2016: £Nil) representing £Nil (2016: £Nil) on each ordinary share. The aggregate dividend on the ordinary shares recognised during the year amounts to £1,989,000 (2016: £Nil), being payment of the 2015 proposed dividend.

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

DIRECTORS

The directors who served during the year were:

P Davis
R Filer (appointed 9 May 2016)
R Hill (appointed 9 May 2016)
M Masuda
K Oyama
M Sasaki
G Takeda (resigned 16 May 2017)
W Burke (resigned 6 May 2016)

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk, interest rate risk and exchange rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Market prices

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits.

The directors will revisit the appropriateness of this policy should the company's operations change significantly in size or nature.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the board of directors at which point the total exposure to any individual counterparty is considered.

In common with other businesses we recognise that there is a risk to cash and cash deposits with financial institutions. The strength and stability of those with whom we deal is therefore an important factor considered in the selection process.

Interest rate risk

The company has had occasional interest bearing assets and more significant interest bearing liabilities.

The interest bearing assets have been short-term cash balances, which may be available from time to time and have been invested at variable rate. Short-term borrowings on overdraft are arranged on variable interest rates.

Borrowings against the bank loan facility are at rates fixed at the time of each drawing.

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Exchange rate risk

The company has always made significant purchases in Japanese yen and the proportion of these that are matched by customer sales price variation agreements linked to the sterling/yen exchange rate has been falling.

However, development of a US dollar source for some of these purchases together with some diversification into euro and sterling supplies, means that exchange rate risk is spread across a range of currencies, though the yen still remains the largest.

Being spread throughout the year these exposures are subject to a degree of averaging that reduces the impact of short term fluctuations and the longer term risk is considered very carefully in all the company's pricing decisions.

Liquidity risk

The improved profitability over the past few years has strengthened the Statement of Financial Position and created a more favourable cash position. The bank loan facility we have in place has become more of an insurance policy than a facility for regular use. The directors believe that this provides the resources necessary to support the company and its operations.

FUTURE DEVELOPMENTS

As referenced in the Strategic Report, the Brexit vote has led to uncertainty in the future of the British economy, with some of the large automotive manufacturers voicing concerns over the impact on their future investment plans. With our dependence on the automotive industry this leads to the same concerns for us. However, whilst the uncertainty remains, we are still hopeful that the British economy will continue to show its strength and through shrewd investment we will continue to remain competitive against both our UK competitors as well as those in mainland Europe.

EMPLOYEE INVOLVEMENT

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interest. Employee involvement in the company is encouraged, as achieving an awareness on the part of employees of the external factors affecting the company plays a role in maintaining both employee satisfaction and company performance.

DISABLED EMPLOYEES

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company seeks to continue employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The directors have the benefit of the indemnity provisions contained in the company's Articles and the company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the company, the directors and its officers. The company has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

SANOH UK MANUFACTURING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

AUDITORS

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by



P Davis
Director

Date: 12/9/17

SANOH UK MANUFACTURING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SANOH UK MANUFACTURING LIMITED

OUR OPINION

In our opinion, Sanoh UK Manufacturing Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SANOH UK MANUFACTURING LIMITED (CONTINUED)

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

SANOH UK MANUFACTURING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SANOH UK MANUFACTURING LIMITED (CONTINUED)

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nick Muzzlewhite (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Bristol

Date: 20/09/17

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Turnover	5	27,911	25,425
Change in stocks of finished goods and work in progress		(390)	510
Own work capitalised		57	129
Raw materials and consumables		(15,364)	(12,703)
Other operating charges		(1,377)	(1,251)
GROSS PROFIT		10,837	12,110
Staff costs	8	(7,744)	(7,675)
Depreciation and other amounts written off tangible and intangible fixed assets	13	(700)	(740)
OPERATING PROFIT	6	2,393	3,695
Interest receivable and similar income		14	-
PROFIT BEFORE TAX		2,407	3,695
Tax on profit	10	(488)	(759)
PROFIT FOR THE FINANCIAL YEAR		1,919	2,936
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,919	2,936

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

The notes on pages 14 to 28 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED
REGISTERED NUMBER:02607806

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Intangible assets	12	22	-
Tangible fixed assets	13	4,329	4,656
		<u>4,351</u>	<u>4,656</u>
CURRENT ASSETS			
Stocks	14	3,227	3,196
Debtors: amounts falling due within one year	15	5,229	4,416
Current asset investments		2,500	-
Cash at bank and in hand	17	2,583	4,579
		<u>13,539</u>	<u>12,191</u>
Creditors: amounts falling due within one year	18	(6,852)	(5,722)
NET CURRENT ASSETS		<u>6,687</u>	<u>6,469</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,038</u>	<u>11,125</u>
PROVISIONS FOR LIABILITIES			
Deferred tax	20	(150)	(167)
		<u>(150)</u>	<u>(167)</u>
NET ASSETS		<u><u>10,888</u></u>	<u><u>10,958</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	390	390
Capital redemption reserve	22	1,170	1,170
Profit and loss account	22	9,328	9,398
		<u>10,888</u>	<u>10,958</u>

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



P Davis
Director

Date: 12/4/17

The notes on pages 14 to 28 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2015	390	1,170	6,462	8,022
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the financial year	-	-	2,936	2,936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	2,936	2,936
At 1 April 2016	390	1,170	9,398	10,958
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the financial year	-	-	1,919	1,919
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	1,919	1,919
Dividends: Equity capital	-	-	(1,989)	(1,989)
TOTAL TRANSACTIONS WITH OWNERS	-	-	(1,989)	(1,989)
AT 31 MARCH 2017	390	1,170	9,328	10,888

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £000	2016 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	1,919	2,936
ADJUSTMENTS FOR:		
Depreciation of tangible assets	700	740
(Profit)/loss on disposal of tangible assets	(1)	24
Interest received	(14)	-
Taxation charge	488	759
(Increase) in stocks	(31)	(809)
(Increase) in debtors	(813)	(118)
Increase/(decrease) in creditors	1,209	(97)
Corporation tax paid	(583)	(713)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,874	2,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	(3)	-
Purchase of tangible fixed assets	(394)	(1,142)
Sale of tangible fixed assets	2	-
Interest received	14	-
Deposit account	(2,500)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,881)	(1,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,989)	-
NET CASH USED IN FINANCING ACTIVITIES	(1,989)	-
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,996)	1,580
Cash and cash equivalents at beginning of year	4,579	2,999
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	2,583	4,579
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	2,583	4,579
	2,583	4,579

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

Sanoh UK Manufacturing Limited's (the company") principal activity is the manufacture of steel and nylon tubular products for the automotive industry from factories in Bristol, Sunderland and Swindon.

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is: Grandeur Point, Fourth Way, Avonmouth, Bristol, BS11 8DL.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

3. ACCOUNTING POLICIES

3.1 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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. ACCOUNTING POLICIES (continued)

3.3 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

Amortisation is provided on the following bases:

Software	-	10% to 33 1/3% on a straight line basis
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3.4 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the lease term
Plant, machinery and office equipment	- 10% to 33 1/3% on a straight line basis
Motor vehicles	- 35% on a reducing balance basis
Assets in the course of construction	- Nil

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

3.5 OPERATING LEASES

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. ACCOUNTING POLICIES (continued)

3.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

3.7 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.

3.8 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

3.9 FINANCIAL INSTRUMENTS

The company only enters into basic financial instruments 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. ACCOUNTING POLICIES (continued)

3.9 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

3.10 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.

3.11 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'.

3.12 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.

3.13 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. ACCOUNTING POLICIES (continued)

3.14 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

3.15 INTEREST INCOME

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

3.16 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

3.17 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. 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 reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

4. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical accounting estimates or judgments adopted by management applicable to this company.

5. TURNOVER

The whole of the turnover is attributable to the manufacture of components for the car industry.

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	27,328	23,980
Rest of Europe	455	1,402
Rest of the world	128	43
	<u>27,911</u>	<u>25,425</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	700	740
Exchange differences	206	109
Other operating lease rentals	157	144
	<u>1,063</u>	<u>993</u>

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. AUDITORS' REMUNERATION

	2017	2016
	£000	£000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	<u>24</u>	<u>22</u>
All other services	-	2
Taxation compliance services	-	5
	<u>-</u>	<u>7</u>

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£000	£000
Wages and salaries	7,053	7,007
Social security costs	555	547
Other pension costs	136	121
	<u>7,744</u>	<u>7,675</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Hourly paid	279	295
Staff	44	41
	<u>323</u>	<u>336</u>

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

9. DIRECTORS' REMUNERATION

	2017 £000	2016 £000
Directors' emoluments	346	249
Company contributions to defined contribution pension schemes	12	7
	<u>358</u>	<u>256</u>

The executive Directors of the company, whose emoluments are disclosed above, also represent the key management of the company.

During the year retirement benefits were accruing to 4 directors (2016: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £191,000 (2016: £180,000), including the Company's contributions paid to defined contribution pension scheme.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,543 (2016: £6,090).

The emoluments of P Davis, W Burke, R Hill and R Filer are paid by Sanoh UK Manufacturing Limited. All other directors' emoluments are paid by the parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of these directors.

10. TAXATION

	2017 £000	2016 £000
CORPORATION TAX		
Current tax on profits for the year	505	721
	<u>505</u>	<u>721</u>
TOTAL CURRENT TAX	<u>505</u>	<u>721</u>
DEFERRED TAX		
Origination and reversal of timing differences	(17)	38
TOTAL DEFERRED TAX	<u>(17)</u>	<u>38</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>488</u>	<u>759</u>

SANOH UK MANUFACTURING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017****10. TAXATION (CONTINUED)****FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	2,407	3,695
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	481	739
EFFECTS OF:		
Expenses not deductible for tax purposes	11	13
Accelerated capital allowances and other timing differences	14	(30)
Short term timing differences	(18)	37
TOTAL TAX CHARGE FOR THE YEAR	488	759

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The UK corporation tax rates of 19% from 1 April 2017, and 17% from 1 April 2020, announced in the 2016 budget were substantively enacted by the balance sheet date. There were no changes to the UK corporation tax rates announced in the 2017 budget

11. DIVIDENDS

	2017 £000	2016 £000
Dividends paid equivalent to £5.10 (2016: £Nil) per 1 share	1,989	-
	1,989	-

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

12. INTANGIBLE ASSETS

	Software £000
COST	
Transfers between classes	90
At 31 March 2017	<u>90</u>
AMORTISATION	
Transfers between classes	68
At 31 March 2017	<u>68</u>
NET BOOK VALUE	
At 31 March 2017	<u><u>22</u></u>
At 31 March 2016	<u><u>-</u></u>

SANOI UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13. TANGIBLE FIXED ASSETS

	Long-term leasehold property £000	Plant, machinery and office equipment £000	Motor vehicles £000	Assets in the course of construction £000	Total £000
COST OR VALUATION					
At 1 April 2016	2,965	8,661	141	46	11,813
Additions	69	123	50	155	397
Disposals	-	(48)	(11)	-	(59)
Transfers between classes	-	(27)	-	(63)	(90)
At 31 March 2017	3,034	8,709	180	138	12,061
DEPRECIATION					
At 1 April 2016	935	6,115	107	-	7,157
Charge for the year on owned assets	86	599	15	-	700
Disposals	-	(46)	(11)	-	(57)
Transfers between classes	-	(68)	-	-	(68)
At 31 March 2017	1,021	6,600	111	-	7,732
NET BOOK VALUE					
At 31 March 2017	2,013	2,109	69	138	4,329
At 31 March 2016	2,030	2,546	34	46	4,656

14. STOCKS

	2017 £000	2016 £000
Raw materials and consumables	2,562	2,141
Work in progress	436	885
Finished goods and goods for resale	229	170
	3,227	3,196

Stock recognised in cost of sales during the year as an expense was £15,364,000 (2016: £12,703,000).

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. DEBTORS

	2017 £000	2016 £000
Trade debtors	5,095	4,319
Amounts owed by group undertakings	11	2
Other debtors	21	21
Prepayments and accrued income	102	74
	<u>5,229</u>	<u>4,416</u>

16. CURRENT ASSET INVESTMENTS

	2017 £000	2016 £000
Cash on deposit	2,500	-
	<u>2,500</u>	<u>-</u>

17. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash at bank and in hand	2,583	4,579
	<u>2,583</u>	<u>4,579</u>

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£000	£000
Trade creditors	5,030	3,347
Amounts owed to group undertakings	572	394
Corporation tax	237	315
Other taxation and social security	484	865
Other creditors	23	23
Accruals and deferred income	506	778
	6,852	5,722

PREFERENCE SHARE CAPITAL

At 31 March 2017 the company had 1,500,000 (2016: 1,500,000) redeemable preference shares of £1 (2016: £1) each which were authorised but not allotted or called up.

19. FINANCIAL INSTRUMENTS

	2017	2016
	£000	£000
FINANCIAL ASSETS		
Financial assets measured at fair value through the Statement of Comprehensive Income	5,083	4,579
Financial assets that are debt instruments measured at amortised cost	5,127	4,321
	10,210	8,900
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(6,131)	(4,542)
	(6,131)	(4,542)

Financial assets measured at fair value through the Statement of Comprehensive Income comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, accruals and other creditors.

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

20. DEFERRED TAXATION

	2017 £000	2016 £000
At beginning of year	167	129
Charged to the Statement of Comprehensive Income	(17)	38
AT END OF YEAR	150	167

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	163	171
Short term timing differences	(13)	(4)
	150	167

21. SHARE CAPITAL

	2017 £000	2016 £000
SHARES CLASSIFIED AS EQUITY		
ALLOTTED, CALLED UP AND FULLY PAID		
390,000 Ordinary shares of £1 each	390	390

22. RESERVES

Capital redemption reserve

The capital redemption reserve represents the nominal value of share capital issued by the company which it has subsequently repurchased.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

23. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £136,000 (2016: £121,000).

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

24. COMMITMENTS UNDER OPERATING LEASES

At 31 March the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	131	127
Later than 1 year and not later than 5 years	319	411
Later than 5 years	1,608	1,625
Total	2,058	2,163

25. RELATED PARTY TRANSACTIONS

	2017 £000	2016 £000
Supply of goods and services by Sanoh Europe (France) EURL	-	10
Supply of goods and services by Sanoh America Inc.	1,543	1,049
Supply of goods and services to Sanoh Europe (France) EURL	15	948
Supply of goods and services to Able Sanoh	1	12
Supply of goods and services to Sanoh Industrial Company Ltd	4	25
Supply of goods and services to Sanoh Magyar	-	7
Supply of goods and services to Sanoh Europe GMBH	26	-
Transactions with Alconix		
Supply of goods and services by Alconix Corporation	7,796	5,963
Balances due from/(to) related parties at the year end are:		
Sanoh America Inc.	(572)	(389)
Sanoh Europe (France) EURL	2	1
Alconix Corporation	(3,648)	(1,766)
Able Sanoh Industries (1996) Co Ltd	-	(5)
Sanoh Europe GMBH	9	-
	(4,209)	(2,159)

These transactions were undertaken under normal commercial terms and conditions.

26. CONTROLLING PARTY

The immediate and ultimate parent undertaking and the controlling party of the company is Sanoh Industrial Company Ltd of Japan. It is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Sanoh Industrial Company Ltd consolidated financial statements can be obtained from Sanoh Industrial Company Ltd, Koga Office, 4-2-27 Honcho, Koga, Ibaraki 306-0023, Japan.