

SANOH UK MANUFACTURING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



SANOH UK MANUFACTURING LIMITED

COMPANY INFORMATION

DIRECTORS	P Davis R Filer R Hill M Masuda K Oyama M Sasaki G Takeda (resigned 16 May 2017)
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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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018**

INTRODUCTION

The directors present the Strategic Report of Sanoh UK Manufacturing Limited (the "company") for the year ended 31 March 2018.

BUSINESS REVIEW

The company has performed well during the year in a very challenging market place, with a net profit after tax of £3.2m. A big contributor to the rise from the £1.9m achieved in 2016/17 is the increase in automation, helping to counter rising labour costs. The pound has also recovered slightly after the Brexit referendum, reducing the material costs compared to the previous year. However, the market is expected to remain challenging in 2018/19 especially with the uncertainty generated by the Brexit vote and ongoing negotiations, as well as the softening new car market, in particular for diesel vehicles, for which we supply parts.

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 still a high level 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 2018

KEY PERFORMANCE INDICATORS

	2018	2017	
Growth in sales	(0.9%)	9.8%	Year on year sales growth/(reduction) expressed as a percentage
Customer rejects	7.2	14.4	Average of customer rejects per million parts delivered as reported by our major customers
On time deliveries	99.96%	99.92%	Average 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 19th September 2018 and signed on its behalf.



P Davis
Director

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the company for the year ended 31 March 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for the company for each financial year. Under that law the directors have elected to prepare the financial statements for the company 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 for the company 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 for the company, 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 for the company 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 to enable them to ensure that the financial statements for the company 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.

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 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 after tax for the financial year of £3,236,000 (2017: £1,919,000) and turnover of £27,666,000 (2017: £27,911,000). The company has net cash of £3,192,000 (2017: £2,583,000). Net cash flow from operating activities was £3,249,000 (2017: £2,874,000).

The directors have proposed the payment of a dividend of £Nil (2017: £Nil) representing £Nil (2017: £nil) on each ordinary share. The aggregate dividend on the ordinary shares recognised during the year amounts to £1,541,000 (2017: £1,989,000).

SANOH UK MANUFACTURING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

DIRECTORS

The directors who served during the year were:

P Davis
R Filer
R Hill
M Masuda
K Oyama
M Sasaki
G Takeda (resigned 16 May 2017)

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 2018

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 still 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 and responsive planning 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 for 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 2018

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.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



P Davis
Director

Date: 14th September 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Sanoh UK Manufacturing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

SANOH UK MANUFACTURING LIMITED

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

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Nick Muzzlewhite (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf

Bristol

BS2 0FR

Date:

19/09/2018

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £000	2017 £000
Turnover	5	27,666	27,911
Change in stocks of finished goods and work in progress		109	(390)
Own work capitalised		128	57
Other operating income	6	29	19
Raw materials and consumables		(14,645)	(15,364)
Other external charges		(1,046)	(1,396)
GROSS PROFIT		12,241	10,837
Staff costs		(7,535)	(7,744)
Depreciation and amortisation		(703)	(700)
OPERATING PROFIT	7	4,003	2,393
Interest receivable and similar income		12	14
PROFIT BEFORE TAX		4,015	2,407
Tax on profit	11	(779)	(488)
PROFIT FOR THE FINANCIAL YEAR		3,236	1,919
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,236	1,919

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 14 to 29 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED
REGISTERED NUMBER:02607806

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	13	20	22
Tangible fixed assets		5,247	4,329
		<u>5,267</u>	<u>4,351</u>
CURRENT ASSETS			
Stocks	15	2,916	3,227
Debtors: amounts falling due within one year	16	4,795	5,229
Current asset investments	17	2,000	2,500
Cash at bank and in hand	18	3,192	2,583
		<u>12,903</u>	<u>13,539</u>
Creditors: amounts falling due within one year	19	(5,411)	(6,852)
		<u>7,492</u>	<u>6,687</u>
NET CURRENT ASSETS		7,492	6,687
TOTAL ASSETS LESS CURRENT LIABILITIES		12,759	11,038
PROVISIONS FOR LIABILITIES			
Deferred tax	21	(176)	(150)
		<u>(176)</u>	<u>(150)</u>
NET ASSETS		12,583	10,888
CAPITAL AND RESERVES			
Called up share capital	22	390	390
Capital redemption reserve	23	1,170	1,170
Profit and loss account	23	11,023	9,328
		<u>12,583</u>	<u>10,888</u>

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



P Davis
Director

Date: 19th September 2018

The notes on pages 14 to 29 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
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)
At 1 April 2017	390	1,170	9,328	10,888
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the financial year	-	-	3,236	3,236
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,236	3,236
Dividends: Equity capital	-	-	(1,541)	(1,541)
TOTAL TRANSACTIONS WITH OWNERS	-	-	(1,541)	(1,541)
AT 31 MARCH 2018	390	1,170	11,023	12,583

The notes on pages 14 to 29 form part of these financial statements.

SANOH UK MANUFACTURING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £000	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	3,236	1,919
ADJUSTMENTS FOR:		
Amortisation of intangible assets	12	-
Depreciation of tangible assets	691	700
Loss on disposal of tangible assets	(8)	(1)
Interest received	(12)	(14)
Taxation charge	779	488
Decrease/(increase) in stocks	311	(31)
Decrease/(increase) in debtors	434	(813)
(Decrease)/increase in creditors	(1,509)	1,209
Corporation tax (paid)	(685)	(583)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>3,249</u>	<u>2,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	(10)	(3)
Purchase of tangible fixed assets	(1,613)	(394)
Sale of tangible fixed assets	12	2
Interest received	12	14
Transfers into deposit account	(3,500)	(7,500)
Transfers out of deposit account	4,000	5,000
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,099)</u>	<u>(2,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,541)	(1,989)
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,541)</u>	<u>(1,989)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>609</u>	<u>(1,996)</u>
Cash and cash equivalents at beginning of year	2,583	4,579
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>3,192</u></u>	<u><u>2,583</u></u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	3,192	2,583
	<u><u>3,192</u></u>	<u><u>2,583</u></u>

The notes on pages 14 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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 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 2018

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 2018

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 CURRENT ASSET INVESTMENTS

Current asset investments consist of fixed term deposits held with banks which have a maturity of less than 12 months. These deposits carry a fixed coupon rate and cannot be withdrawn prior to maturity. They are measured at amortised cost in the financial statements.

3.9 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.

3.10 FINANCIAL INSTRUMENTS

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. ACCOUNTING POLICIES (continued)

3.10 FINANCIAL INSTRUMENTS (CONTINUED)

for measuring any impairment loss is the current effective interest rate determined under the contract.

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.

3.11 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.

3.12 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

3.13 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'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. ACCOUNTING POLICIES (continued)

3.14 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.

3.15 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.

3.16 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.

3.17 INTEREST INCOME

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

3.18 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. ACCOUNTING POLICIES (continued)

3.19 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.

**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.

SANOH UK MANUFACTURING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018****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:

	2018 £000	2017 £000
United Kingdom	26,866	27,328
Rest of Europe	574	455
Rest of the world	226	128
	<u>27,666</u>	<u>27,911</u>

6. OTHER OPERATING INCOME

	2018 £000	2017 £000
Other operating income	29	19
	<u>29</u>	<u>19</u>

7. OPERATING PROFIT

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	691	700
Amortisation of intangible assets	12	-
Exchange differences	(116)	206
Other operating lease rentals	159	157
	<u>746</u>	<u>1063</u>

8. AUDITORS' REMUNERATION

	2018 £000	2017 £000
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	22	24
	<u>22</u>	<u>24</u>

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

9. EMPLOYEES

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

	2018 £000	2017 £000
Wages and salaries	6,838	7,053
Social security costs	548	555
Other pension costs	149	136
	<u>7,535</u>	<u>7,744</u>

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

	2018 No.	2017 No.
Hourly paid	265	279
Staff	44	44
	<u>309</u>	<u>323</u>

10. DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Directors' emoluments	352	358
Company contributions to defined contribution pension schemes	13	12
	<u>365</u>	<u>370</u>

During the year retirement benefits were accruing to 3 directors (2017: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £195,000 (2017: £191,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,707 (2017: £6,543).

The emoluments of P Davis, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. TAXATION

	2018 £000	2017 £000
CORPORATION TAX		
Current tax on profits for the year	753	505
TOTAL CURRENT TAX	753	505
DEFERRED TAX		
Origination and reversal of timing differences	26	(17)
TOTAL DEFERRED TAX	26	(17)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	779	488

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	4,015	2,407
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	763	481
EFFECTS OF:		
Expenses not deductible for tax purposes	11	11
Capital allowances for year in excess of depreciation	(22)	14
Short term timing differences	27	(18)
TOTAL TAX CHARGE FOR THE YEAR	779	488

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 statement of financial position date. There were no changes to the UK corporation tax rates announced in the 2017 nor 2018 budgets.

SANOH UK MANUFACTURING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

12. DIVIDENDS

	2018 £000	2017 £000
Dividends paid equivalent to £3.95 (2017: £5.10) per 1 share	1,541	1,989
	<u>1,541</u>	<u>1,989</u>

13. INTANGIBLE ASSETS

	Software £000
COST	
At 1 April 2017	90
Additions	10
At 31 March 2018	<u>100</u>
AMORTISATION	
At 1 April 2017	68
Charge for the year	12
At 31 March 2018	<u>80</u>
NET BOOK VALUE	
At 31 March 2018	<u>20</u>
At 31 March 2017	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. 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 2017	3,034	8,709	180	138	12,061
Additions	11	813	-	789	1,613
Disposals	-	(94)	(29)	-	(123)
Transfers between classes	81	430	34	(545)	-
At 31 March 2018	<u>3,126</u>	<u>9,858</u>	<u>185</u>	<u>382</u>	<u>13,551</u>
DEPRECIATION					
At 1 April 2017	1,021	6,600	111	-	7,732
Charge for the year on owned assets	88	569	34	-	691
Disposals	-	(94)	(25)	-	(119)
At 31 March 2018	<u>1,109</u>	<u>7,075</u>	<u>120</u>	<u>-</u>	<u>8,304</u>
NET BOOK VALUE					
At 31 March 2018	<u>2,017</u>	<u>2,783</u>	<u>65</u>	<u>382</u>	<u>5,247</u>
At 31 March 2017	<u>2,013</u>	<u>2,109</u>	<u>69</u>	<u>138</u>	<u>4,329</u>

15. STOCKS

	2018 £000	2017 £000
Raw materials and consumables	2,142	2,562
Work in progress	543	436
Finished goods and goods for resale	231	229
	<u>2,916</u>	<u>3,227</u>

Stock recognised in cost of sales during the year as an expense was £14,645,000 (2017: £15,364,000) .

SANOH UK MANUFACTURING LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018****16. DEBTORS**

	2018	2017
	£000	£000
Trade debtors	4,657	5,095
Amounts owed by group undertakings	29	11
Other debtors	23	21
Prepayments and accrued income	86	102
	4,795	5,229

17. CURRENT ASSET INVESTMENTS

	2018	2017
	£000	£000
Cash on deposit	2,000	2,500
	2,000	2,500

The cash on deposit amount shown above consists of term deposit accounts in which cash is invested for a pre-determined length of time at an agreed interest rate. These amounts cannot be accessed until the relevant time period has elapsed at which point it will automatically be returned.

18. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Cash at bank and in hand	3,192	2,583
	3,192	2,583

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	3,383	5,030
Amounts owed to group undertakings	465	572
Corporation tax	305	237
Other taxation and social security	711	484
Other creditors	110	23
Accruals and deferred income	437	506
	<u>5,411</u>	<u>6,852</u>

PREFERENCE SHARE CAPITAL

At 31 March 2018 the company had 1,500,000 (2017: 1,500,000) redeemable preference shares of £1 each which were authorised but not allotted or called up.

20. FINANCIAL INSTRUMENTS

	2018 £000	2017 £000
FINANCIAL ASSETS		
Financial assets measured at fair value through statement of comprehensive income	5,192	5,083
Financial assets that are debt instruments measured at amortised cost	4,709	5,127
Financial assets that are equity instruments measured at cost less impairment	-	-
	<u>9,901</u>	<u>10,210</u>

FINANCIAL LIABILITIES

Financial liabilities measured at amortised cost	<u>(4,397)</u>	<u>(6,131)</u>
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Financial assets measured at fair value through the Statement of Comprehensive Income comprise cash at bank and in hand and investments in short term deposit accounts.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. DEFERRED TAXATION

	2018 £000	2017 £000
At beginning of year	150	167
Charged to the Statement of Comprehensive Income	26	(17)
AT END OF YEAR	176	150

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	182	163
Short term timing differences	(6)	(13)
	176	150

22. SHARE CAPITAL

	2018 £000	2017 £000
ALLOTTED, CALLED UP AND FULLY PAID		
390,000 Ordinary shares of £1 each	390	390

23. 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.

24. 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 £149,000 (2017: £136,000).

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

25. COMMITMENTS UNDER OPERATING LEASES

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

	2018 £000	2017 £000
Not later than 1 year	131	131
Later than 1 year and not later than 5 years	230	319
Later than 5 years	1,591	1,608
	<u>1,952</u>	<u>2,058</u>

26. RELATED PARTY TRANSACTIONS

	2018 £000	2017 £000
Supply of goods and services by Sanoh Industrial Company Ltd	9	-
Supply of goods and services by Sanoh America Inc.	1,439	1,543
Supply of goods and services to Sanoh Europe (France) EURL	16	15
Supply of goods and services to Able Sanoh	-	1
Supply of goods and services to Sanoh Industrial Company Ltd	5	4
Supply of goods and services to Sanoh Europe GMBH	66	26
Supply of goods and services to Sanoh Magyar	14	-
Supply of goods and services to Geiger Automotive GMBH	1	-
Supply of goods and services to Geiger Automotive USA Inc	5	-
Transactions with Alconix		
Supply of goods and services by Alconix Corporation	6,954	7,796
Balances due from/(to) related parties at the year end are:		
Sanoh Industrial Company Ltd	(2)	-
Sanoh America Inc.	(463)	(572)
Sanoh Europe (France) EURL	1	2
Alconix Corporation	(2,073)	(3,648)
Sanoh Europe GMBH	28	9
	<u>(2,509)</u>	<u>(4,209)</u>

These transactions were undertaken under normal commercial terms and conditions.

Within the year, a loan of £2,000 was made to an employee who is a family member of a director, which was repaid in full the following month. A loan was also made to a director for £313.11, which was repaid in full within one month. No interest was charged on either loan.

SANOH UK MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

27. 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.