

**TS Tech UK Ltd**

**Annual Report and Financial Statements  
for the year ended 31 March 2019**

**Registered number: 03720346**



# **TS Tech UK Ltd**

## **Annual Report and Financial Statements 2019**

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**TS Tech UK Ltd**  
**Officers and professional advisers**

**DIRECTORS**

R Kanamori  
H Yoshida

**COMPANY SECRETARY**

TMF Corporate Administration Services Limited

**REGISTERED OFFICE**

c/o TMF Group  
8th Floor  
20 Farringdon Street  
London  
United Kingdom  
EC4A 4AB

**BANKERS**

MUFG Bank Ltd  
Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9AN

**SOLICITORS**

Gateley LLP  
One Eleven  
Edmund Street  
Birmingham  
B3 2HJ

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
Bristol  
United Kingdom

## **TS Tech UK Ltd**

### **Strategic report**

The directors present the Strategic Report and the audited financial statements for the year ended 31 March 2019.

#### **STRATEGY AND OBJECTIVES**

TS Tech UK Ltd's ("the Company") principal activity is the production of car seats for the car industry, currently wholly Honda of the UK Manufacturing Limited ("Honda"). In the manufacture of its products, the Company pursues safety, environmental sustainability, and comfort.

#### **THE BUSINESS MODEL**

The Company works closely with Honda in all aspects of business from research and development related to future models through to final delivery of car seats to Honda's production site, which is less than five miles away. The production volumes for the Company therefore, are directly variable with Honda's car production volumes.

#### **A FAIR REVIEW OF THE BUSINESS**

The Company reported total production for the year ended 31 March 2019 of 150,904 units (2018: 162,600 units). This resulted in turnover of £105.5 million (2018: £137.3 million).

At the beginning of the year, Honda issued a volume forecast of 154,796 units for the year ended March 2019. By the year-end, Honda produced an actual build of 150,904 units, a decrease against its initial volume forecast. The Honda CRV model ended production in May 2018, albeit one year later than originally anticipated. Daily production averages 610 units during this year. The Company reduced and consolidated Manpower throughout the period to maximise line efficiency. The Company also utilised flexible working (working time accounts) to balance operation hours and to accommodate model mix fluctuation.

In February 2019, Honda issued a statement advising of its proposal to cease its manufacturing operation in Swindon. In June 2019, Honda confirmed its intention giving a provisional closing date of 31 July 2021. The closure of Honda triggered impairment review of non-current asset. Independent valuation was performed on land and building on 31 March 2019 which resulted in an impairment of building of £4.7 million.

#### **FUTURE DEVELOPMENTS & POST BALANCE SHEET EVENT**

The Company will be focused on adjusting for production processes and improving efficiencies whilst working closely with Honda to plan for the closure of Honda's business in the UK in July 2021 as described above. The current models will continue to the Honda closure in July 2021 with only minor changes in model expected. There are no major research and development projects planned. Following Honda's announcement in February 2019, there have been ongoing efforts to explore opportunities for new business to mitigate the risk of loss of Honda as a customer.

On 6 December 2019, the Company announced its proposal to close the plant following the end of Honda production in July 2021. The Company is still exploring new opportunities, the outcome of this will not be known until 2020. A final decision on its operation is expected in 2020.

#### **KEY PERFORMANCE INDICATORS**

Production and performance management systems provide reliable production data, which make it possible to monitor and analyse all process channels on an ongoing basis. Equipment uptime and production performance is closely monitored in real time and the quality of manufactured parts is verified at various stages throughout the production system and process.

Key performance indicators relating to quality, productivity and equipment availability are used to measure the Overall Equipment Effectiveness (OEE). This reflects the level of production performance taking into account any losses that arise within the system. Where production losses have occurred measures are introduced to offset them. OEE is considered the basis for evaluation of overall performance. The OEE target is 92%.

The average OEE for the 12-month period ended 31 March 2019 was 83.7%, 8.3% below the target (2018: 73.7%).

## **TS Tech UK Ltd**

### **Strategic report (continued)**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company has exposures to a variety of risks, which are managed with the purpose of minimising any potential adverse effect on the company's performance.

##### **CUSTOMER RISK**

All the outputs of the Company are currently supplied to Honda and its service and research and development organisations. The relationship forged between Honda and the Company is based on the business association successfully used around the world by the parent companies, Honda Motor Company Limited, Japan, and TS Tech Co. Limited, Japan.

As a group, TS Tech continues to take steps to mitigate the risk of fluctuations in Honda's production volumes by exploring the opportunity to work with other car manufacturers. A target to increase business with other automotive manufacturers into the future has been established. TS Tech established production operations in Hungary, with sales and engineering support in Germany, and now supplies seating systems for the VW Touran. The group continues to seek out further opportunities to expand its presence within Europe and diversify business risk.

Following Honda's announcement, there has been ongoing efforts to explore opportunities for new business to mitigate the risk of loss of Honda as a customer. The outcome of this will not be known until 2020.

##### **EXCHANGE RATE RISK**

The Company has requirements for both US Dollar and Euro currencies for the purchase of raw materials from the Far East and Europe. The risk to profitability is addressed through a bi-annual adjustment to selling prices to reflect currency movements.

#### **CORPORATE AND SOCIAL RESPONSIBILITY**

The directors of the Company take their responsibilities for environmental matters, Company employees and social, community and human rights issues seriously. A variety of initiatives and measures have been introduced during the period such as improvements to the control of lighting systems within the production area, reduction in waste landfill and donations to various charities.

##### **BREXIT**

The Company could be adversely affected by the impact of the current macroeconomic and political environment on key suppliers and customer groups. In particular, Brexit has the potential to affect the Company.

Due to the UK's intention to leave the European Union on 31 January 2020, we have a dedicated project team to assess and mitigate the potential effects of Brexit on our business as well as enlisting external advice. The following key risk areas have been identified with appropriate mitigating actions put in place:

###### **Brexit risk factors**

**Product delays at custom borders in and out of the UK**

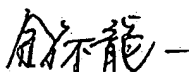
**Duty charges on imports with the EU and ROW**

###### **Mitigating actions**

Timely reviews of inventory and stock levels in the UK to ensure continued operations.

Scenario planning with 3<sup>rd</sup> parties confirms a negligible financial impact on the Company as the WTO tariffs do not differ materially from our current cost related to tariffs.

Approved by the Board and signed on its behalf by:



**R Kanamori**  
Director

Date: 20.12.2019

## **TS Tech UK Ltd**

### **Directors' report (continued)**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 March 2019.

The following disclosures required by s416 (4) have been elevated to the Strategic report:

- Future developments
- Research and development
- Financial risk management

#### **DIRECTORS**

The directors who served during the year and subsequently, unless stated otherwise, are shown below:

R Kanamori (appointed 1 April 2018)  
H Yoshida  
M Kobayashi (resigned 31 March 2019)

#### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **GOING CONCERN**

On 6 December 2019, the Company announced its proposal to close the plant following the end of Honda production in July 2021. The directors believe that Honda is committed to run production until 2021 although at levels lower than production in the year ended 31 March 2019 as described in the fair review of the business section in the strategic report.

This has enabled the Company to consider the future of the business and timing available to explore new opportunities. The Company is still exploring new opportunities, the outcome of this will not be known until 2020. A final decision on its operation is expected in 2020.

The directors have prepared detailed budgets and forecasts for 2019/20, taking into account uncertainty over production volumes, lower profitability from operating at reduced volumes and concluded that sufficient cash is available for the business to sustain its operation for the foreseeable future, being at least 12 months from the date that the financial statements have been signed. Nonetheless, the directors have also obtained a letter from the directors of TS Tech Co., Ltd, the Company's ultimate parent company, confirming their intention to provide unconditional financial support to the Company to enable it to operate as a going concern for at least 12 months from the date that the financial statements have been signed. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Given the uncertainties related to the closure of the business including the rate of reduction of production volumes through to closure, the level and timing of costs of closing the plant, as well as the upside possibility of securing new clients, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### **DIVIDENDS**

The directors do not recommend the payment of a dividend (2018: £nil).

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**TS Tech UK Ltd**  
**Directors' report (continued)**

**EMPLOYEE CONSULTATION**

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**AUDITOR**

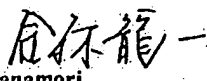
Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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

  
**R Kanamori**  
Director

Date: 20.12.2019

## **TS Tech.UK Ltd**

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the member of TS Tech UK Ltd**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion the financial statements of TS Tech UK Limited ('the company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's 'FRC's' Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 2 in the financial statements, which indicates that the Company proposes to close the plant following the end of Honda production in July 2021 if it fails to secure new business that substantially mitigates the risk of the loss of Honda as a customer, as well as the uncertainties related to the rate of reduction of production volumes through to closure and the level and timing of costs of closure. As stated in going concern section in note 2, these events or conditions, along with the other matters as set forth in notes to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

## **Independent auditor's report to the member of TS Tech UK Ltd (continued)**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

### **Auditor's 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 auditor's 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters 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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Sonya Butters, FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, United Kingdom

Date: 20 December 2019

**TS Tech UK Ltd**  
**Profit and loss account**  
For the year ended 31 March 2019

	Note	2019 £	2018 £
<b>Turnover</b>	4	105,451,596	137,250,157
<b>Cost of sales</b>		(92,439,047)	(113,310,042)
<b>Gross profit</b>		13,012,549	23,940,115
Distribution costs		(1,230,142)	(1,334,835)
Administrative expenses		(15,491,249)	(11,407,665)
<b>Operating (loss)/profit</b>		(3,708,842)	11,197,615
Interest receivable and similar income	8	21,964	14,135
<b>(Loss)/profit before taxation</b>		(3,686,878)	11,211,750
Tax on (loss)/profit	9	1,091,476	(2,171,201)
<b>(Loss)/profit for the financial year</b>	5	(2,595,402)	9,040,549

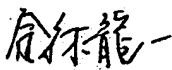
Turnover and operating (loss)/profit are all derived from continuing operations and there is no comprehensive income or expenses for the current or preceding financial periods other than the (losses)/profits shown above. Accordingly, no separate statement of other comprehensive income is presented.

**TS Tech UK Ltd**  
**Balance sheet**  
As at 31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	11	1,742,762	2,469,186
Tangible assets	12	8,928,502	13,284,840
		<u>10,671,264</u>	<u>15,754,026</u>
<b>Current assets</b>			
Stocks	13	4,869,807	10,745,700
Debtors	14	10,439,640	15,114,413
Cash at bank and in hand		37,393,624	33,927,120
		<u>52,703,071</u>	<u>59,787,233</u>
<b>Creditors: amounts falling due within one year</b>	15	(15,187,789)	(24,759,311)
<b>Net current assets</b>		<u>37,515,282</u>	<u>35,027,922</u>
<b>Total assets less current liabilities</b>		<u>48,186,546</u>	<u>50,781,948</u>
<b>Net assets</b>		<u>48,186,546</u>	<u>50,781,948</u>
<b>Capital and reserves</b>			
Called-up share capital	17	12,000,000	12,000,000
Profit and loss account		36,186,546	38,781,948
		<u>48,186,546</u>	<u>50,781,948</u>

The financial statements of TS Tech UK Ltd (registered number 03720346) were approved by the Board of Directors and authorised for issue on 20.12.2019

Signed on behalf of the Board of Directors by:



**R Kanamori**  
Director

**TS Tech UK Ltd**  
**Statement of changes in equity**  
For the year ended 31 March 2019

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2017	12,000,000	29,741,399	41,741,399
Profit for the year	-	9,040,549	9,040,549
Balance at 31 March 2018	12,000,000	38,781,948	50,781,948
Loss for the year	-	(2,595,402)	(2,595,402)
Balance at 31 March 2019	12,000,000	36,186,546	48,186,546

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**1. GENERAL INFORMATION**

TS Tech UK Ltd (the Company) is a private company limited by shares, registered in England and Wales, incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 and 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of TS Tech Co. Limited. The group financial statements of TS Tech Co. Limited are available to the public and can be obtained as set out in note 23.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the amendments to FRS 101 issued by the FRC in July 2016 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2016 that are effective for accounting periods beginning on or after 1 January 2017.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of TS Tech Co. Limited. The group financial statements of TS Tech Co. Limited can be obtained from 6 St Andrew Street, 5th Floor, London EC4A 3AE.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out below:

**Going concern**

On 6 December 2019, the Company announced its proposal to close the plant following the end of Honda production in July 2021. The directors believe that Honda is committed to run production until 2021 although at levels lower than production in the year ended 31 March 2019 as described in the fair review of the business in the strategic report.

This has enabled the Company to consider the future of the business and timing available to explore new opportunities. The Company is still exploring new opportunities, the outcome of this will not be known until 2020. A final decision on its operation is expected in 2020.

The directors have prepared detailed budgets and forecasts for 2019/20, taking into account uncertainty over production volumes, lower profitability from operating at reduced volumes and concluded that sufficient cash is available for the business to sustain its operation for the foreseeable future, being at least 12 months from the date that the financial statements have been signed. Nonetheless, the directors have also obtained a letter from the directors of TS Tech Co., Ltd, the Company's ultimate parent company, confirming their intention to provide unconditional financial support to the Company to enable it to operate as a going concern for at least 12 months from the date that the financial statements have been signed. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Given the uncertainties related to the closure of the business including the rate of reduction of production volumes through to closure, the level and timing of costs of closing the plant, as well as the upside possibility of securing new clients, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Impact of New Financial Reporting Standards**

The following new standards are effective for accounting periods beginning on or after 1 January 2018.

**IFRS 9**

IFRS 9 'Financial Instruments', supersedes IAS 39 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 Financial Instruments from 1 April 2018, resulted in changes in accounting policies. The Company has assessed the impact of the standard and concluded that no material adjustments is needed in the financial statements.

**Classification and measurement**

On 1 April 2018, the Company's management assessed its financial asset on the business model and cash flow characteristic test and concluded that there is no material reclassification or change in measurement required.

**Impairment of receivables**

Substantially all receivables are current asset and owed by Honda. The Company has not identified material indicators for credit risk. The adoption of IFRS 9 does not result in additional impairment.

**IFRS 15**

IFRS 15 'Revenue from Contracts with Customers' supersedes the current revenue recognition guidance including IAS 18 Revenue and the related interpretations and establishes a single comprehensive five-step model to account for revenues arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Company has assessed the impact of the standard and concluded that the only impact is the accounting for deferred income in relation to tooling payments. Following the adoption of standard, TS Tech recognises revenue and cost at the point when ownership of the tooling passes from the Company to Honda upon completion of all payments received from Honda instead of over the life of the tooling. The brought forward deferred income balances are not material and no retrospective adjustment was necessary.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue pertaining to the sale of these products will be recognized when a product and control of the product are transferred to the customer and the performance obligation is deemed satisfied according to the contract with the customer.

***Sale of goods***

In conjunction with the application of IFRS 15, the Company recognizes revenue, except for interest, based on the following five-step approach.

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Company as lessee***

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**Foreign currencies**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

**Operating (loss)/profit**

Operating (loss)/profit is stated after charging distribution costs and administrative expenses but before finance income and costs.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

**Taxation**

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

***Current tax***

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

***Deferred tax***

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Tangible fixed assets**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or scrapping of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	50 years
Plant and machinery (including motor vehicles)	3 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

**Intangible assets**

***Intangible assets acquired separately***

The Company pays for a share of research and development costs incurred by the TS Tech Group in the design of seats for the new Honda car models and in the development of the manufacturing processes for these new products. These costs are capitalised when incurred and are amortised on a straight-line basis over the expected remaining production life of the relevant car model. The amortisation is charged to the profit and loss account. Software is amortised on a straight-line basis over 3 years.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Intangible assets acquired separately (continued)*

If there is a change in operating conditions which may impact the expected model life, an impairment assessment is performed and any necessary adjustments to the carrying value of the affected intangible assets will be made.

Development costs have been capitalised in accordance with IAS 38 *Intangible Assets* and are therefore not treated, for dividend purposes, as a realised loss.

*Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

*Impairment of tangible and intangible assets*

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Financial assets**

Financial assets are classified as debt instruments at amortised cost; debt instruments at fair value through other comprehensive income ("FVOCI"); financial assets at fair value through profit and loss ("FVTPL"); or as equity instruments designated at FVOCI, as appropriate. Financial assets include cash at bank and in hand, trade and other receivables, and derivative financial instruments. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. For financial assets at FVTPL, transaction costs are immediately recognised in the profit and loss account.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial assets measured at amortized cost***

The Company classifies the financial assets that it holds as those measured at amortized cost if it meets both of the following conditions:

- (i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets measured at amortized cost are measured using the effective interest method less any impairment loss, as necessary. Amortization using the effective interest method and any gains or losses due to derecognition are recognized in net profit or loss for the period.

***Financial assets measured at fair value through net profit or loss***

The Company classifies financial assets other than those measured at amortized cost as financial assets measured at fair value through net profit or loss. Derivative assets fall under the Company's financial assets measured at fair value through net profit or loss. After initial recognition, such financial assets are measured at fair value, and fair value changes are recognized in net profit or loss. Any gains or losses relating to the financial asset measured at fair value through net profit or loss are recognized in net profit or loss.

***Impairment of financial assets***

With regard to impairment loss on financial assets, including financial assets measured at amortized cost, the Company recognizes an allowance for doubtful accounts for the expected credit loss associated with the financial asset. On each reporting date, the Company assesses whether the credit risk associated with the financial instrument has increased significantly since initial recognition.

If the credit risk has not increased significantly since initial recognition, the Company recognizes an amount equivalent to a 12-month expected credit loss as allowance for doubtful accounts. If the credit risk has increased significantly since the initial recognition, the Company recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts. However, for trade receivables, the Company recognizes the amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

The expected credit loss of financial instruments is estimated using a method that reflects the following factors:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

The amounts associated with such measurements are recognized in net profit or loss.

If, after the recognition of an impairment loss, an event occurs which could reduce the amount of the impairment loss, the decrease in impairment loss is reversed and recognized in net profit or loss.

***Derivative financial instruments***

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 19.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Derivative financial instruments (continued)*

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Deferred income**

Funds are received from Honda of the UK Manufacturing Limited to purchase tooling. The cash is recognised as deferred income until the assets are purchased. The Company will recognise revenue and cost at the point when ownership of the tooling passes from the company to Honda upon completion of all payments received from Honda.

**Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the opinion of the directors there are no key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements.

*Critical judgements in applying the Company's accounting policies*

The following is the critical judgement that the directors have made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

The Company negotiates a "cost reduction payment" with Honda based on the difference between actual and estimated costs of production in order to agree any amounts of savings to share. Such liabilities are accrued at year-end based on the amounts subsequently settled, prior to the date of signing the statutory accounts. The accrual recognised at 31 March 2019 is £1,000,000 (2018: £1,000,000).

Determining whether the Company's land and building has been impaired requires estimations of the fair value. In estimating the fair value, the Company engages third party qualified valuers to perform the valuation. The Company works closely with them to establish the appropriate valuation techniques and inputs to the model. The fair value and carrying amount of building at the balance sheet date was £8,042,443 and £3,380,000 respectively with impairment loss of £ 4,662,443 recognised in building in current year. No impairment was recognised for land in current year considering that its fair value of £ 2,950,000 is higher than its carrying value of £2,422,411.

**TS Tech UK Ltd**  
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The announcement of the closure of the Honda plant and the accompanying uncertainty as to the future of the Company's plant gives rise to a contingent liability for the costs of closure of the Company's operations. At the balance sheet date, no decision had been made as to the future of the Company, nor any announcement made. It was not, and still not possible to quantify the costs of closure. Accordingly, no provision for the costs of closure has been made at the balance sheet date.

**4. TURNOVER**

An analysis of the Company's turnover by class of business is set out below:

	2019 £	2018 £
Car seats	105,345,257	137,127,695
Recycled waste	106,339	122,462
	<u>105,451,596</u>	<u>137,250,157</u>

All turnover derives from the UK.

**5. (LOSS)/PROFIT FOR THE FINANCIAL YEAR**

(Loss)/profit for the year has been arrived at after charging:

	2019 £	2018 £
Net foreign exchange losses	309,391	804,256
Depreciation of tangible fixed assets	1,599,380	1,560,532
Amortisation of intangible fixed assets	768,643	875,404
Write-downs of stock recognised as an expense	232,361	645,835
Cost of stock recognised as an expense	69,785,139	87,528,965
Impairment of building assets	4,662,443	-
Staff costs (see note 7)	<u>20,274,628</u>	<u>22,731,333</u>

Amortisation is charged to administrative expenses in the profit and loss account.

**6. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £81,400 (2018: £60,400).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company were £109,650 (2018: £57,600).  
Tax compliance fees were £4,850, tax advisory fees were £104,800.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
For the year ended 31 March 2019

**7. STAFF COSTS**

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

	2019 Number	2018 Number
Production	503	663
Administration	98	79
	<u>601</u>	<u>742</u>

Total directors' remuneration is £580,887 (2018: £582,375). Remuneration of the highest paid director is £296,519 (2018: £369,137). The highest paid director did not exercise any share options in either year and had no shares receivable under long-term incentive schemes.

Directors' aggregate remuneration comprised:	2019 £	2018 £
Wages and salaries	18,543,339	21,011,707
Social security costs	1,390,872	1,390,044
Other pension costs (see note 18)	340,417	329,582
	<u>20,274,628</u>	<u>22,731,333</u>

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019 £	2018 £
Bank deposits	<u>21,964</u>	<u>14,135</u>

**9. TAX ON (LOSS)/PROFIT**

	2019 £	2018 £
<b>Current tax:</b>		
UK corporation tax	228,736	2,161,612
Adjustments in respect of prior years		
- UK corporation tax	(1,294,797)	3,706
<b>Total current tax</b>	<u>(1,066,061)</u>	<u>2,165,318</u>
<b>Deferred tax (note 16):</b>		
Current year	(37,657)	6,576
Adjustment in respect of previous years	8,279	-
Effect of changes in tax rates	3,963	(693)
<b>Total deferred tax</b>	<u>(25,415)</u>	<u>5,883</u>
	<u>(1,091,476)</u>	<u>2,171,201</u>

**TS Tech UK Ltd**  
**Notes to the financial statements**  
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Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

The (credit)/charge for the year can be reconciled to the profit in the profit and loss account as follows:

	£	£
(Loss)/profit before tax	(3,686,878)	11,211,750
	£	£
Tax at the UK corporation tax rate of 19% (2018: 19%)	(700,507)	2,130,233
Effects of:		
Adjustment in respect of prior years	(1,286,518)	3,706
Expenses not deductible	921,019	37,955
Tax rate changes	3,963	(693)
Income not taxable	(29,433)	-
	(1,091,476)	2,171,201

The standard rate of tax applied to reported (loss)/profit is 19% (2018: 19%). The applicable tax rate changed to 20% from 1 April 2016 following the substantive enactment of the Finance Act 2013. The Finance Act (No 2) 2016 reduced the main rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Act 2017 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements.

#### 10. DIVIDENDS

The directors do not recommend the payment of a dividend (2018: £nil).

#### 11. INTANGIBLE ASSETS

	Development costs £	Software £	Total £
<b>Cost</b>			
At 1 April 2018	9,985,168	780,318	10,765,486
Additions	-	42,219	42,219
Disposals	(6,202,517)	(29,580)	(6,232,097)
At 31 March 2019	3,782,651	792,957	4,575,608
<b>Amortisation</b>			
At 1 April 2018	7,526,445	769,855	8,296,300
Charge for the year	756,530	12,113	768,643
Disposals	(6,202,517)	(29,580)	(6,232,097)
At 31 March 2019	2,080,458	752,388	2,832,846
<b>Carrying amount</b>			
At 31 March 2019	1,702,193	40,569	1,742,762
At 31 March 2018	2,458,723	10,463	2,469,186

**TS Tech UK Ltd**  
**Notes to the financial statements**  
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**12. TANGIBLE FIXED ASSETS**

	Assets under construction £	Freehold land and buildings £	Plant and machinery £	Total £
<b>Cost</b>				
At 1 April 2018	75,773	13,947,284	19,794,571	33,817,628
Additions	1,934,368	-	-	1,934,368
Impairment	-	(4,662,443)	-	(4,662,443)
Transfers	(1,948,860)	677,321	1,271,539	
Disposals	-	(1,090)	(286,832)	(287,922)
<b>At 31 March 2019</b>	<b>61,281</b>	<b>9,961,072</b>	<b>20,779,278</b>	<b>30,801,631</b>
<b>Accumulated depreciation</b>				
At 1 April 2018	-	3,846,594	16,686,195	20,532,789
Charge for the year	-	312,430	1,286,950	1,599,380
Disposals	-	(362)	(258,678)	(259,040)
<b>At 31 March 2019</b>	<b>-</b>	<b>4,158,662</b>	<b>17,714,467</b>	<b>21,873,129</b>
<b>Carrying amount</b>				
<b>At 31 March 2019</b>	<b>61,281</b>	<b>5,802,410</b>	<b>3,064,811</b>	<b>8,928,502</b>
<b>At 31 March 2018</b>	<b>75,773</b>	<b>10,100,690</b>	<b>3,108,376</b>	<b>13,284,840</b>

All land and buildings are held on a freehold basis.

The proposed closure of Honda triggered an impairment review of non-current asset. Independent valuation was performed on land and building on 31 March 2019 which resulted in an impairment of building of £4,662,443.

**13. STOCKS**

	2019 £	2018 £
Raw materials and goods in transit	4,443,647	10,156,661
Finished goods	426,160	589,039
	<b>4,869,807</b>	<b>10,745,700</b>

**TS Tech UK Ltd**  
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**14. DEBTORS**

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	8,992,297	14,347,990
Amounts owed by group undertakings	58,192	107,811
Other debtors	335,630	9,563
Corporation tax receivable	395,860	-
Prepayments and accrued income	631,841	603,265
	<u>10,413,820</u>	<u>15,068,629</u>
 <b>Amounts falling due after more than one year</b>		
Prepayments and accrued income	25,820	45,784
	<u>10,439,640</u>	<u>15,114,413</u>

Amounts owed by group undertakings relate to unsecured non-interest bearing intercompany debtors balances that are settled under normal business terms and conditions in the course of normal trading activities.

**15. CREDITORS**

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade creditors	4,664,498	6,850,938
Corporation tax	-	2,177,962
Deferred tax (note 16)	367,305	392,719
Amounts owed to group undertakings	5,316,188	9,747,499
Deferred income	357,130	219,614
Tax	689,584	1,639,032
Social Security	257,329	301,698
Other creditors	3,499,052	3,429,849
Derivative financial instruments (note 19)	36,703	-
	<u>15,187,789</u>	<u>24,759,311</u>

Amounts owed to group undertakings relate to unsecured non-interest bearing intercompany creditors balances that are settled under normal business terms and conditions in the course of normal trading activities.

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**16. DEFERRED TAX**

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

	Accelerated tax depreciation £	Deferred chargeable gains £	Other trading items £	Total £
At 31 March 2017	394,923	17,275	(25,362)	386,836
Charged to profit or loss	(19,479)	-	25,362	5,883
At 31 March 2018	375,444	17,275	-	392,719
Charged to profit or loss	(7,570)	-	(17,845)	(25,415)
At 31 March 2019	367,874	17,275	(17,845)	367,305

Deferred tax assets and liabilities are off-set where the Company has a legally enforceable right to do so.

**17. SHARE CAPITAL**

	2019 £	2018 £
Issued and fully paid: 12,000,000 Ordinary shares of £1 each	12,000,000	12,000,000

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

**18. RETIREMENT BENEFIT SCHEMES**

**Defined contribution schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees.

The total cost charged to income of £340,417 (2018: £329,582) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2019, contributions of £104,971 (2018: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

**TS Tech UK Ltd**  
**Notes to the financial statements**  
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**19. FINANCIAL INSTRUMENTS**

**Valuation techniques and assumptions applied for the purposes of measuring fair value**

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**Derivatives**

The Company enters into derivative financial instruments (foreign exchange forward contracts) to manage its exposure to foreign exchange rate risk.

**Forward foreign currency contracts**

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

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2019 Rate	2018 Rate	2019 £	2018 £	2019 £	2018 £
<b>Buy USD</b>						
Less than 3 months	1.30208	1.3781	5,760,015	8,707,641	(36,703)	(215,141)

**Fair value hierarchy**

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**TS Tech UK Ltd**  
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**19. FINANCIAL INSTRUMENTS (continued)**

As at 31 March 2019 and 2018, the Company held the following financial instruments measured at fair value:

<b>31 March 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Measured at fair value</i>				
Financial instrument	-	(36,703)	-	(36,703)
	<u>-</u>	<u>(36,703)</u>	<u>-</u>	<u>(36,703)</u>
<b>31 March 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Measured at fair value</i>				
Financial instrument	-	(215,141)	-	(215,141)
	<u>-</u>	<u>(215,141)</u>	<u>-</u>	<u>(215,141)</u>

**20. OPERATING LEASE ARRANGEMENTS**

The Company as lessee

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Lease payments under operating leases recognised as an expense in the year	<u>1,579,072</u>	<u>1,342,950</u>

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Within one year	1,118,773	1,129,306
In the second to fifth years inclusive	1,416,360	1,936,826
	<u>2,535,133</u>	<u>3,066,132</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties, rent and various plant and machinery. Leases are negotiated for an average term of four years and rentals are fixed for an average of three years with an option to extend for a further one to five years as the business sees fit at the then prevailing market rate.

**21. FINANCIAL COMMITMENTS**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Contracted for but not provided for – tangible fixed assets	<u>-</u>	<u>768,000</u>

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**22. RELATED PARTY TRANSACTIONS**

As a wholly owned subsidiary of TS Tech Co. Limited, the Company has taken advantage of the exemption contained in IAS 24 Related Parties from the requirement to disclose related party transactions with other group companies.

The Company supplies parts to Honda of the UK Manufacturing Limited solely for use in cars produced by Honda. In addition, Honda assists the Company with funding for its tooling projects. Honda owns 22.7% of the largest parent undertaking and controlling party, TS Tech Co. Limited. As a result of the trading relationship, £8,533,334 was owed by Honda at the period-end date (31 March 2018: £13,503,909). Sales to Honda during the period amounted to £103,498,001 (31 March 2018: £137,134,115).

The Company negotiates a "cost reduction payment" with Honda based on the difference between actual and estimated costs of production in order to agree any amounts of savings to share. The accrual recognised at 31 March 2019 is £1,000,000 (2018: £1,000,000).

The directors' remuneration, analysed under the headings required by Company Law is set out below:

	2019 £	2018 £
Directors' remunerations		
Emoluments	580,887	582,375
Company contributions to money purchase pension schemes	-	-
	<u>580,887</u>	<u>582,375</u>
	2019 Number	2018 Number
The number of directors who:		
Are members of a money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>
	£	£
Remuneration of the highest paid director:		
Emoluments	<u>296,519</u>	<u>369,137</u>

**23. CONTROLLING PARTY**

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is TS Tech Co. Limited, a company incorporated in Japan. The largest and smallest group of which the Company is a member for which group financial statements are drawn up is TS Tech Co. Limited. The registered office of TS Tech Co. Limited is 3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan.

**24. CONTINGENT LIABILITY**

The announcement of the closure of the Honda plant and the accompanying uncertainty as to the future of the Company's plant gives rise to a contingent liability for the costs of closure of the Company's operations. At the balance sheet date, no decision had been made as to the future of the Company, nor any announcement made. It was not, and still not possible to quantify the costs of closure. Accordingly, no provision for the costs of closure has been made at the balance sheet date.

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**25. POST BALANCE SHEET DATE EVENTS**

On 6 December 2019, the Company announced its proposal to close the plant following the end of Honda production in July 2021. The Company is still exploring new opportunities, the outcome of this will not be known until 2020. A final decision on its operation is expected in 2020.