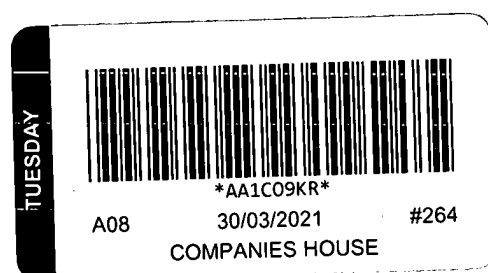


TS*Tech UK Ltd

Annual Report and Financial Statements
for the year ended 31 March 2020

Registered number: 03720346



TS Tech UK Ltd

Annual Report and Financial Statements 2020

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TS Tech UK Ltd

Officers and professional advisers

DIRECTORS

R Kanamori
H Yoshida (resigned 31st March 2020)

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 2020.

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.

Due to Honda's closure (as mentioned below) the Company will cease trading in July 2021, the Company's objective is to maintain the principal activity to Honda as well as preparing to decommission all sites in an orderly fashion.

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 2020 of 95,312 units (2019: 150,904 units). This resulted in turnover of £71.2 million (2019: £105.5 million).

At the beginning of the year, Honda issued a volume forecast of 111,732 units for the year ended March 2020 (2019: 154,796). By the year-end, Honda produced an actual build of 95,312 units (2019: 150,904), a decrease against its initial volume forecast. Daily production averages 429 units during this year (2019: 610). 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. Additionally the impact of COVID-19 reduced volume by approximately 3,300 units. Gross margin decreased against the previous year due to the restructuring provision – gross margin for the year ended 31 March 2020 of -6.29% (2019: 12.34%).

The Company has been chosen by Jaguar Land Rover to produce a seat structure. All R&D and Tooling activities will be arranged through TS Tech UK Ltd with production at the TS Tech Hungary Kft plant. Production is due to commence at the Hungary plant in December 2021.

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 company has made a decision not to explore new business and to close. Collective consultation formally concluded in March 2020 which has resulted in a restructuring provision for £17,182,777 being recognised within the financial statements for the period ended 31 March 2020.

In these circumstances, it is not appropriate to prepare the company's financial statements on a going concern basis.

FUTURE DEVELOPMENTS AND 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 production of 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.

External valuation was performed in July 2020 indicating fair value less cost of disposal (FVLCD) of £6.3m. As this was higher than the carrying amount, no impairment was noted.

The company announced of no intentions to explore new business in July 2020.

TS Tech Co., Ltd (the parent company) issued a press release to the Tokyo stock exchange in July 2020 that the UK branch will close. The company will continue to trade whilst preparations are made to decommission the plant and to dispose of all assets in an orderly fashion.

On the 19th March 2020, the company entered into a shutdown period due to the COVID-19 pandemic. Trade and production resumed in mid June 2020. A loss of approximately 3,300 units decreased the volume to 31 March 2020.

TS Tech UK Ltd

Strategic report (continued)

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENT (CONTINUED)

There has been minimal impact during late 2020 and early 2021 due to temporary pauses in production with a view to claw back volume in the future. The Company has continued to produce throughout the national lockdown, which saw the country enter into a second lockdown in January 2021.

Honda remain committed to continuing production at the Swindon plant until July 2021 with daily production set at 420 units.

See also the Brexit section further below.

On the 25th September 2020, the company made a dividend payment to TS Tech Co., Ltd for £7,500,000. This dividend payment was declared and paid post year end and has not been reflected in the balance sheet.

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% (2019: 92%).

The average OEE for the 12-month period ended 31 March 2020 was 77.0%, 15% below the target (2019: 83.7%). From the Honda announcement in February 2019, we saw a steady decline in productivity which impacted OEE greatly. The cause of this was the growing uncertainty within the workforce, this carried on for three quarters until we entered into collective consultation in January 2020 which concluded in July 2020. Since January 2020 this has started to stabilise our workforce and has helped improve OEE.

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.

COVID-19 RISK / BUSINESS INTERRUPTION

The World Health Organization (WHO) declared COVID-19 a Public Health Emergency of International Concern in January 2020 and, subsequently, a pandemic in March 2020. The spread of COVID-19 has adversely affected the company's business and operating results. Production halted in March 2020 based on Honda's decision to suspend production. This was due to the concern for employee safety as well as restrictions on employees' commute to the workplaces and delays in the supply of parts within the supply chain. The company has put in place countermeasures to minimise the adverse impact on the company's business and operating results. TS Tech has introduced infection prevention countermeasures based on guidelines from the WHO and the UK government, these include disallowing travel to countries with a high level of infection in line with travel restrictions, utilising remote working where possible, checking employees' temperatures, increasing focus on cleanliness and hygiene in the work areas and ensuring social distancing.

CASH AND CREDIT RISK

The significant majority of 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., Ltd, Japan.

The risk of non-payment from Honda is not considered a significant risk.

LIQUIDITY RISK

The Company actively manages its cash and debt finance to ensure that it has sufficient funds.

Strategic report (continued)

MANAGEMENT OF OPERATIONAL RISK

The Company purchases raw materials, components, and parts from both local and foreign regions and relies on key suppliers (most within the TS Tech Group) for these items used in the manufacture of its product. The Company's ability to continue to obtain these supplies in an efficient and cost effective manner is subject to various factors, some of which are not within the Company's control. Loss of a key supplier, for example, may affect production and increase cost.

The Company's operations may be subject to wars, terrorism, multinational conflicts, natural disasters, epidemics and other events beyond our control which may affect or disrupt local operations in the affected regions, including the purchase of raw materials, components and parts.

LEGAL RISK RELATING TO SHUTTING OF BUSINESS

Legal and commercial consultants have been retained to ensure compliance through the redundancy and closure process.

RETENTION AND ENGAGEMENT OF STAFF

The Company has gone through a collective consultation process where management have worked alongside the workforce and Unite the union to deliver agreed terms that retains and engages our workforce into completing successfully the delivery and quality of our product to our customer.

CYBER SECURITY AND GENERAL DATA PROTECTION REGULATION

The Company has a suite of tools to protect our critical systems in line with a modern age of potential cyber-attacks. The company as an organisation has an emergency response plan that covers off site security. Our organisation is required to have an information officer and are both registered and compliant with ICO's recommendations and guidelines. We have developed in line with an external training provider, online courses for both cyber-attacks and GDPR which provide training to the Company's workforce.

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.

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

Strategic report (continued)

SECTION 172(1) STATEMENT (CONTINUED)

We delegate authority for day-to-day management of the Company to senior management in setting, approving and overseeing execution of the business strategy and related policies. We review matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; health and safety; diversity and inclusivity; environmental matters; governance; compliance; legal and regulatory matters over the course of the financial year. This is done through regular meetings and dialogue with senior management, the consideration of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its colleagues, customers, suppliers, and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and TS TECH Group means that generally our stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagements that take place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard please see the TS Tech Co. Ltd. 2020 Annual Report (<https://www.tstech.co.jp/english/>).

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports on our financial and operational performance, pension and investment matters, non-financial KPIs, risk, health and safety matters. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company.

Examples of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duty and the effect of that on decisions taken by us are set out below.

Board activity	Board Consideration
Financial and operational performance	<p>Following the proposal in December 2019 to cease operations in the UK, in line with our customer, Honda's closure at the end of July 2021, we entered into consultation with employee representatives and Unite the Union, and have concluded that closure of TSUK was the only viable option, as announced to the Tokyo Stock Exchange on 31st July 2020, and a redundancy package was agreed.</p> <p>Wind down planning is now underway, with a view to liquidate the company as soon as possible after trading ceases in July 2021.</p>
Legal and regulatory matters	Legal and commercial consultants have been retained to ensure compliance through the redundancy and closure process.
Wider stakeholder engagement	<p>Discussions are ongoing with our parent company regarding data retention and the transfer of ongoing obligations to the customer to other group companies.</p> <p>All customers and suppliers have been informed of the decision.</p>
Service Delivery	<p>As part of the collective consultation process with employee representatives and Unite the Union, we have agreed to make periodic performance related payments to employees based on quality and delivery target achievement.</p> <p>Our customer Honda advised that they would cease production at the end of day shift on 18th March 2020, followed by the government decision to request the majority of the UK population to stay at home.</p> <p>This resulted in TSUK being unable to trade. Having introduced a number of measures in the plant to safeguard against the transmission of COVID 19, we were able to successfully resume operations on 15th June in line with Honda. This also necessitated close communication with suppliers to ensure parts availability.</p>

Strategic report (continued)

BREXIT

The Company could be adversely affected by the impact of the current macroeconomic and political environment on key suppliers and customer groups.

In December 2020, a post Brexit trade deal was agreed with the EU. During this transition period, the company has experienced supply chain issues, especially vessel delays which has led to an increase in freight costs. To mitigate any delays in the supply of raw materials, air freight was used. This has also coincided with the effects of the COVID-19 pandemic.

Focus will still remain in terms of complying fully with all rules and regulations.

The company communicates government advice to inform and support all employees who would be affected by the Brexit impact.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R Kanamori'.

R Kanamori
Director

Date: 26/03/2021

TS Tech UK Ltd

Directors' report

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 2020.

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

- Future developments
- Research and development
- Credit risk
- Cash flow risk
- Liquidity risk
- Post balance sheet events

DIRECTORS

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

R Kanamori

H Yoshida (resigned 31st March 2020)

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 July 2021 although at levels lower than production in the year ended 31 March 2020 as described in the fair review of the business section in the strategic report.

In these circumstances, it is not appropriate to prepare the financial statements on a going concern basis. As the company plans to continue trading for a period of time and realise its assets in an orderly fashion, the directors have determined that the accounting policies applied to individual items should be consistent with those adopted in the prior year. However, these plans have led to provisions for certain redundancy costs being recognised during the last year.

Therefore the annual financial statements have been prepared on a basis other than going concern. For further details see note 2 in the financial statements.

DIVIDENDS

On the 25th September 2020, the company made an interim dividend payment to TS Tech Co., Ltd for £7,500,000. This dividend payment was declared and paid post year end and has not been reflected in the balance sheet (2019: £nil).

ENGAGEMENT WITH EMPLOYEES

We have continued to focus on ensuring that our policies are simple, helpful and trusted, so that our colleagues are able to source the information they need quickly and easily.

Over the last year we have continued to work with the TS TECH's trade union in the UK, Unite the Union, to improve our policies so that they address the needs of all our colleagues. Our equal opportunities, diversity and inclusion policies support managers and colleagues in creating a diverse and inclusive culture where everyone is welcome. Our policies demonstrate our commitment to providing equal opportunities to all colleagues, irrespective of age, disability (including colleagues who may have become disabled during service), gender, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation

After the Honda announcement in 2019, we engaged with a consultant to help us understand and look at restructuring the company. The main focus throughout the initial 6 months of working with the consultant was the workforce. We entered into collective consultation and consulted with both the unionised and non-unionised associates. Through this process we kept them informed through weekly meetings and we developed a very strong relationship with members of the committee. The primary focus was to engage with our workforce and to keep them updated with the latest stance of the company.

Directors' report (continued)

FINANCIAL RISK MANAGEMENT

Through extensive forecasting and budgeting, the directors are confident the company can meet its liabilities and discharge of all assets. Key financial risks include cash flow risk, credit risk and liquidity risk. These areas are discussed in the strategic report.

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.

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: 26/03/2021

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 members 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 2020 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 26.

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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of 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.

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.

Independent auditor's report to the members of TS Tech UK Ltd (continued)

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. 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

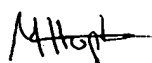
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Michelle Hopton
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

Date: 26/03/2021

TS Tech UK Ltd

Profit and loss account

For the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	4	71,181,732	105,451,596
Cost of sales		(75,660,961)	(92,439,047)
Gross (loss)/profit		(4,479,229)	13,012,549
Distribution costs		(917,710)	(1,230,142)
Administrative expenses		(13,716,636)	(15,491,249)
Operating loss		(19,113,575)	(3,708,842)
Interest receivable and similar income	8	25,877	21,964
Interest payable and similar expense		(7,996)	-
Loss before taxation		(19,095,694)	(3,686,878)
Tax on loss	9	596,941	1,091,476
Loss for the financial year	5	(18,498,753)	(2,595,402)

Turnover and operating loss are all derived from operating activity 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 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	1,322,426	1,742,762
Tangible assets	12	8,216,989	8,928,502
		<u>9,539,415</u>	<u>10,671,264</u>
Current assets			
Stocks	13	6,592,651	4,869,807
Debtors	14	7,904,318	10,439,640
Cash at bank and in hand		36,996,425	37,393,624
		<u>51,493,394</u>	<u>52,703,071</u>
Creditors: amounts falling due within one year	15	(15,750,141)	(15,187,789)
Net current assets		<u>35,743,253</u>	<u>37,515,282</u>
Total assets less current liabilities		45,282,668	48,186,546
Creditors: amounts falling due after one year	16	(15,594,875)	-
Net assets		<u>29,687,793</u>	<u>48,186,546</u>
Capital and reserves			
Called-up share capital	19	12,000,000	12,000,000
Profit and loss account		17,687,793	36,186,546
		<u>29,687,793</u>	<u>48,186,546</u>

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

Signed on behalf of the Board of Directors by:

合本龍 -

R Kanamori
Director

TS Tech UK Ltd

Statement of changes in equity

For the year ended 31 March 2020

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2018	12,000,000	38,781,948	50,781,948
Total comprehensive loss for the year	-	(2,595,402)	(2,595,402)
Balance at 31 March 2019	12,000,000	36,186,546	48,186,546
Total comprehensive loss for the year	-	(18,498,753)	(18,498,753)
Balance at 31 March 2020	12,000,000	17,687,793	29,687,793

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

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. The financial period runs for the 52 weeks to 31 March 2020 (2019: 52 weeks ended 31 March 2019)

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:

Other than going concern basis

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 July 2021 although at levels lower than production in the year ended 31 March 2020 as described in the fair review of the business section in the strategic report.

In these circumstances, it is not appropriate to prepare the financial statements on a going concern basis. As the company plans to continue trading for a period of time and realise its assets in an orderly fashion, the directors have determined that the accounting policies applied to individual items should be consistent with those adopted in the prior year. However, these plans have led to provisions for certain redundancy costs being recognised during the last year.

Therefore the annual financial statements have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of New Financial Reporting Standards

The following new standards are effective for accounting periods beginning on or after 1 January 2019.

IFRS 16

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, The Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

In the statements of financial position, lease liabilities are included in Creditors (see notes 15 - 17) and right-of-use assets are included in tangible fixed assets (note 12)

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.

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax (continued)

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.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and impairment losses. Cost includes the original purchase price of the assets and costs attributable to bringing the asset to its working condition for its intended use.

Following the decision to cease trading from 31st July 2021 the useful economic life of all tangible fixed assets was reassessed to be the earlier of the historic date per depreciation policy and 31st July 2021. The tangible fixed assets are depreciated at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Gains and losses on disposals of assets are calculated as the difference between the proceeds received and the carrying value of the asset at the time of disposal and are recognised in the profit and loss account.

Impairment reviews of tangible fixed assets are undertaken whenever events or changes in circumstances indicate their carrying value may not be recoverable. If the fair value of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate, but restricted so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. Any impairment losses or reversals are recognised immediately as a profit or loss.

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.

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

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

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.

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.

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial liabilities

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest method, at fair value through profit and loss (FVTPL).

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as FVTPL.

Financial liabilities at FVTPL are measured at fair value with any gains or losses arising on changes in fair value recognised in the Company Statement of Profit and Loss (except for those attributable to changes in the credit risk of the liability, which is instead recorded in Other Comprehensive Income). Amounts recognised in Other Comprehensive Income are not subsequently reclassified to the Company Statement of Profit and Loss, but are instead transferred to retained earnings upon derecognition of the financial liability.

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.

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.

Notes to the financial statements

For the year ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contingent liabilities

In line with IAS 37, a contingent liability will be disclosed when the Company has a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot 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 2020 is nil (2019: £1,000,000).

A deferred tax asset has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable given the cessation of trade.

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 £3,447,470 (2019: 3,380,000) and £3,233,294 (2019:

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

£3,380,000) respectively. No impairment was recognised for land in current year considering that its fair value of £3,010,000 (2019: 2,950,000) is higher than its carrying value of £2,422,411 (2019: 2,422,411).

The restructuring provision charged to the income statement represents the expected future costs in respect of the negotiated severance package for the workforce in relation to the company's manufacturing operations. Of the £17,182,777 charged to the income statement in the year ended 31 March 2020, £13,014,371 is included in the cost of sales and £4,168,406 is included in the administrative expenses.

4. TURNOVER

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

	2020 £	2019 £
Car seats	71,149,939	105,345,257
Recycled waste	31,793	106,339
	<u>71,181,732</u>	<u>105,451,596</u>

All turnover derives from the UK.

5. LOSS FOR THE FINANCIAL YEAR

Loss for the year has been arrived at after charging:

	2020 £	2019 £
Net foreign exchange losses	129,063	309,391
Depreciation of tangible fixed assets	2,399,687	1,599,380
Amortisation of intangible fixed assets	924,527	768,643
Write-downs of stock recognised as an expense	88,764	232,361
Cost of stock recognised as an expense	45,345,094	69,785,139
Impairment of building assets	-	4,662,443
Staff costs (see note 7)	15,452,550	20,274,628
Restructuring provision (see note 3)	17,182,777	-
IFRS16 lease liability interest expense	7,996	-
	<u></u>	<u></u>

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

Refer to Note 16 for Restructuring provision.

6. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £126,680 (2019: £81,400).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company were £429,854 (2019: £109,650).

Tax compliance fees were £13,800 (2019: £4,850), tax advisory fees were £65,305 (2019: £104,800).

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

7. STAFF COSTS

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

	2020 Number	2019 Number
Production	383	503
Administration	90	98
	<u>473</u>	<u>601</u>

	2020 £	2019 £
Aggregate remuneration comprised:		
Wages and salaries	13,967,865	18,543,339
Social security costs	1,094,057	1,390,872
Other pension costs (see note 20)	390,628	340,417
	<u>15,452,550</u>	<u>20,274,628</u>

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

	2020 £	2019 £
Directors' remunerations		
Emoluments	182,754	580,887
Company contributions to money purchase pension schemes	-	-
	<u>182,754</u>	<u>580,887</u>

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	-	-
Were remunerated during the year	<u>1</u>	<u>2</u>

	£	£
Remuneration of the highest paid director:		
Emoluments	<u>182,754</u>	<u>296,519</u>

The highest paid director did not exercise any share options in either year and had no shares receivable under long-term incentive schemes.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £	2019 £
Bank deposits	20,428	21,964
Interest Income	5,449	-
	<u>25,877</u>	<u>21,964</u>

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

9. TAX ON LOSS

	2020 £	2019 £
Current tax:		
UK corporation tax	-	228,736
Adjustments in respect of prior years – UK corporation tax	(229,636)	(1,294,797)
Total current tax	<u>(229,636)</u>	<u>(1,066,061)</u>
Deferred tax (note 16):		
Current year	(410,518)	(37,657)
Adjustment in respect of previous years	-	8,279
Effect of changes in tax rates	43,213	3,963
Total deferred tax	<u>(367,305)</u>	<u>(25,415)</u>
	<u>(596,941)</u>	<u>(1,091,476)</u>

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year.

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

	£	£
Loss before tax	<u>(19,095,693)</u>	<u>(3,686,878)</u>
	£	£
Tax at the UK corporation tax rate of 19% (2019: 19%)	(3,628,182)	(700,507)
Effects of:		
Adjustment in respect of prior years	(229,636)	(1,286,518)
Expenses not deductible	80,286	921,019
Tax rate changes	43,213	3,963
Income not taxable	-	(29,433)
Effects of group relief / other reliefs	229,637	-
Industrial buildings change in use	(722,661)	-
Non deductible restructuring provision	1,464,557	-
Amounts not recognised	2,165,845	-
	<u>(596,941)</u>	<u>(1,091,476)</u>

The standard rate of tax applied to reported loss is 19% (2019: 19%). The applicable tax rate changed to 20% from 1 April 2016 following the substantive enactment of the Finance Act 2013. The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

Additionally, there is an unrecognised deferred tax asset of £2,233,956 (2019: £nil). The asset comprises £1,576,226 (2019: £nil) of short term timing differences (largely in relation to the group's redundancy provision), £365,831 (2019: £nil) of fixed asset timing differences and £291,899 (2019: £nil) of tax losses. These assets have not been recognised due to the uncertainty over the timing of future taxable profits.

10. DIVIDENDS

On the 25th September 2020, the company made an interim dividend payment to TS Tech Co., Ltd for £7,500,000. This dividend payment was declared and paid post year end and has not been reflected in the balance sheet (2019: £nil).

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

11. INTANGIBLE ASSETS

	Development costs £	Software £	Total £
Cost			
At 1 April 2019	3,782,651	792,957	4,575,608
Additions	504,191	-	504,191
At 31 March 2020	4,286,842	792,957	5,079,799
Amortisation			
At 1 April 2019	2,080,458	752,388	2,832,846
Charge for the year	909,979	14,548	924,527
At 31 March 2020	2,990,437	766,936	3,757,373
Carrying amount			
At 31 March 2020	1,296,405	26,021	1,322,426
At 31 March 2019	1,702,193	40,569	1,742,762

12. TANGIBLE FIXED ASSETS

	Assets under construction £	Freehold land and buildings £	Plant and machinery £	Right of use asset £	Total £
Cost					
At 1 April 2019	61,281	9,961,072	20,779,278	-	30,801,631
Initial application of IFRS 16	-	-	-	1,434,112	1,434,112
Additions	262,924	-	-	-	262,924
Transfers	(324,205)	12,481	311,724	-	-
Disposals	-	(8,475)	(2,151,695)	-	(2,160,170)
At 31 March 2020	-	9,965,078	18,939,307	1,434,112	30,338,497
Accumulated depreciation					
At 1 April 2019	-	4,158,662	17,714,467	-	21,873,129
Charge for the year	-	159,186	1,504,697	735,804	2,399,687
Disposals	-	(8,475)	(2,142,833)	-	(2,151,308)
At 31 March 2020	-	4,309,373	17,076,331	735,804	22,121,508
Carrying amount					
At 31 March 2020	-	5,655,704	1,862,978	698,308	8,216,989
At 31 March 2019	61,281	5,802,410	3,064,811	-	8,928,502

All land and buildings are held on a freehold basis. Independent valuation for land and building remained as the prior year.

TS Tech UK Ltd

Notes to the financial statements

For the year ended 31 March 2020

RIGHT OF USE ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Balance at 1 April 2019	1,149,183	284,929	1,434,112
Depreciation for the year	(574,592)	(161,212)	(735,804)
At 31 March 2020	574,591	123,717	698,308

13. STOCKS

	2020 £	2019 £
Raw materials and goods in transit	6,158,159	4,443,647
Finished goods	434,592	426,160
	6,592,651	4,869,807

14. DEBTORS

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	5,858,627	8,992,297
Amounts owed by group undertakings	222,693	58,192
Other debtors	852,255	335,630
Corporation tax receivable	284,058	395,860
Prepayments and accrued income	654,203	631,841
	7,871,836	10,413,820
Amounts falling due after more than one year:		
Prepayments and accrued income	32,482	25,820
	7,904,318	10,439,640

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.

TS Tech UK Ltd

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For the year ended 31 March 2020

15. CREDITORS

	2020 £	2019 £
Amounts falling due within one year:		
Trade creditors	2,881,113	4,664,498
Deferred tax (note 18)	-	367,305
Amounts owed to group undertakings	5,993,658	5,316,188
Deferred income	1,180,703	357,130
Tax	330,393	689,584
Social Security	286,213	257,329
Other creditors	2,789,264	3,499,052
Restructuring provision (note 16)	1,609,533	-
IFRS 16 lease liability (settled within 12 months)	679,264	-
Derivative financial instruments (note 21)	-	36,703
	<u>15,750,141</u>	<u>15,187,789</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.

16. NON CURRENT CREDITORS

	2020 £	2019 £
Amounts falling due after one year:		
Restructuring provision	15,573,244	-
IFRS 16 non current lease liability	21,631	-
	<u>15,594,875</u>	<u>-</u>

The restructuring provision charged to the income statement represents the expected future costs in respect of the negotiated severance package for the workforce in relation to the company's manufacturing operations. Of the £17,182k charged to the income statement in the year ended 31 March 2020, £13,014k is included in the cost of sales and £4,168k is included in the administrative expenses.

17. LEASE LIABILITIES

	Freehold land and buildings £	Plant and machinery £	Total £
Not later than one year	577,179	102,085	679,264
Later than one year but not later than 5 years	-	21,631	21,631
Later than 5 years	-	-	-
Lease Liabilities	<u>577,179</u>	<u>123,716</u>	<u>700,895</u>
Current	577,179	102,085	679,264
Non-current	-	21,631	21,631
	<u>577,179</u>	<u>123,716</u>	<u>700,895</u>

Notes to the financial statements

For the year ended 31 March 2020

18. 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 2018	375,444	17,275	-	392,719
Charged to profit or loss	(7,569)	-	(17,845)	(25,415)
At 31 March 2019	367,875	17,275	(17,845)	367,305
Charged to profit or loss	(387,182)	2,032	17,845	(367,305)
At 31 March 2020	(19,307)	19,307	-	-

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

A deferred tax asset has not been recognised on the grounds that there is insufficient evidence that the asset will be recoverable due to cessation of the business in July 2021 (see note 9).

19. SHARE CAPITAL

	2020 £	2019 £
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.

20. 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 £390,628 (2019: £340,417) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2020, contributions of £73,171 (2019: £104,971) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals.

21. 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.

Notes to the financial statements

For the year ended 31 March 2020

21. FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

- 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		2020 £	Fair value 2019 £
	2020	2019	2020	2019		
	Rate	Rate	£	£		
Buy USD						
Less than 3 months	-	1.30208	-	5,760,015	-	(36,703)

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.

As at 31 March 2020 and 2019, the Company held the following financial instruments measured at fair value:

31 March 2020	Level 1 £	Level 2 £	Level 3 £	Total £
<i>Measured at fair value</i>				
Financial instrument	-	-	-	-
31 March 2019	Level 1 £	Level 2 £	Level 3 £	Total £
<i>Measured at fair value</i>				
Financial instrument	-	(36,703)	-	(36,703)

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For the year ended 31 March 2020

22. FINANCIAL COMMITMENTS

	2020 £	2019 £
Contracted for but not provided for – tangible fixed assets	<u>15,000</u>	<u>-</u>

23. 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, £4,614,817 was owed by Honda at the period-end date (31 March 2019: £8,533,334). Sales to Honda during the period amounted to £69,852,564 (31 March 2019: £103,498,001).

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 2020 is nil (2019: £1,000,000).

24. 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. The TS Tech Co. Ltd. 2020 Annual Report is available at (<https://www.tstech.co.jp/english/>).

25. 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. 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.

26. POST BALANCE SHEET DATE EVENTS

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.

External valuation was performed on July 2020 indicating fair value less cost of disposal (FVLCD) of £6.3m. As this was higher than the carrying amount, no impairment was noted.

The company announced of no intentions to explore new business in July 2020. TS Tech Co., Ltd (the parent company) issued a press release to the Tokyo stock exchange in July 2020 that the UK branch will close. The company will continue to trade whilst preparations are made to decommission the plant and to dispose of all assets in an orderly fashion.

On the 19th March 2020, the company entered into a shutdown period due to the COVID-19 pandemic. Trade and production resumed in mid June 2020. A loss of approximately 3,300 units decreased the volume to 31 March 2020.

TS Tech UK Ltd

26. POST BALANCE SHEET DATE EVENTS (CONTINUED)

There has been minimal impact during late 2020 and early 2021 due to temporary pauses in production with a view to claw back volume in the future. The Company has continued to produce throughout the national lockdown which saw the country enter into in January 2021.

Honda remain committed to continuing production at the Swindon plant until July 2021 with daily production set at 420.

On the 25th September 2020, the company made a dividend payment to TS Tech Co., Ltd for £7,500,000. This dividend payment was declared and paid post year end and has not been reflected in the balance sheet.