

TS TECH UK LTD
Annual Report and Financial Statements
for the year ended 31 March 2018

Registered number: 03720346



TS TECH UK LTD

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TS TECH UK LTD

Officers and professional advisers

DIRECTORS

R Kanamori (appointed 1 April 2018)

T Naoi (resigned 31 March 2018)

M Kobayashi (appointed 1 June 2017)

H Yoshida (appointed 1 April 2017)

COMPANY SECRETARY

TMF Corporate Administration Services Limited

REGISTERED OFFICE

6 St Andrew Street

5th Floor

London

EC4A 3AE

BANKERS

MUFG Bank, Ltd

Ropemaker Place

25 Ropemaker Street

London

EC2Y 9AN

SOLICITORS

Gately 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 2018.

Strategy and objectives

The company's 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, TS Tech UK Ltd ("TS Tech") pursues safety, environmental sustainability, and comfort.

The business model

TS Tech 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 TS Tech therefore, are directly variable with Honda's car production volumes.

A fair review of the business

TS Tech reported total production for the year ended 31 March 2018 of 162,600 units (2017: 149,560 units). This resulted in turnover of £137 million (2017: £123 million).

At the end of 2016, Honda issued a volume forecast of 158,088 units for the year to March 2018. By the year-end, Honda produced an actual build of 162,600 units, achieving their initial volume forecast. The Honda CRV model, as planned, ended production in May 2018, albeit one year later than originally anticipated. The daily production average of 700 units per day was maintained through the period. TS Tech 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.

Future developments

Focus is now on stabilising the production processes, whilst improving efficiencies to ensure profitability. This includes a study to consolidate all operations into one site and eliminating external warehousing. The development cost of products in the period amounted to £0 (2017: £3,782,650, which related to the new Civic.) These costs are carried forward by the company and released to the profit and loss account over the products' life cycle.

The new Civic, now in its 10th generation, commenced mass production in July of 2016, with derivatives being exported to North America, followed by the UK and European versions being added in January 2017. The forecast volume for the year ended March 2019 is 149,722 units, a volume decrease over previous years. To accommodate this volume decrease, TS Tech has instigated a single shift operation in its Production departments. Manpower has been reduced, predominantly by releasing agency staff as a result of this decrease.

In March 2018, TS Tech completed the purchase of another building adjacent to the existing facility as part of the long-term plan to eliminate off site warehousing. This is part of an ongoing study to consolidate all operations on one site.

The volume forecast for FY2018-19 is 149,722. This reduction is in part due to the end of production of the CRV model and the impact of the market trend towards diesel cars, where Honda will suspend production of diesels in November 2018.

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 ending 31 March 2018 was 73.7%, 17.3% below the target (2017: 85.6%).

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.

TS TECH UK LTD

Strategic report

Customer risk

All the outputs of the company are currently supplied to Honda of the UK Manufacturing Limited and its service and research and development organisations. The relationship forged between Honda of the UK Manufacturing Limited and TS Tech UK Ltd 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.

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.

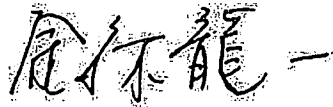
Corporate and social responsibility

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. The Company has a rigorous process for identifying and monitoring all business-critical suppliers and develops appropriate contingency plans for suppliers that are considered to be vulnerable. The Company also has a rigorous planning process to assess the impact of macroeconomic and political developments on key customer groups.

Approved by the Board and signed on its behalf by:



R Kanamori
Director

21/12/2018

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 2018.

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 are shown below:

R Kanamori (appointed 1 April 2018)
T Naoi (resigned 31 March 2018)
M Kobayashi (appointed 1 June 2017)
H Yoshida (appointed 1 April 2017)

GOING CONCERN

The directors have prepared detailed budgets and forecasts for 2018-19, taking account of planned changes in trading performance, and concluded that sufficient revenue is expected to be generated for the business to operate successfully for the foreseeable future, being at least 12 months from the date that the financial statements have been signed. With the introduction of new models and face-lifted variants of current models and the forecast production in support of Honda of the UK Manufacturing Limited, the directors are confident that the business has sufficient funds to meet its liabilities as they fall due and should be duly considered as a going concern. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DIVIDENDS

The directors do not recommend the payment of a dividend (2017: £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.

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.

TS TECH UK LTD

Directors' report

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



21/12/2018

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 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 2018 and of its profit 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:

- Profit and Loss Account
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 24.

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 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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 members of TS Tech UK LTD

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 Financial Reporting Council'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

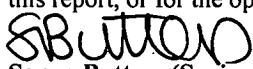
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 member 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 it 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 member, for our audit work, for this report, or for the opinions we have formed.

 21/12/2018
Sonya Butters (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

TS TECH UK LTD

Profit and loss account

For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	137,250,157	122,908,524
Cost of sales		(113,310,042)	(110,221,332)
Gross profit		23,940,115	12,687,192
Distribution costs		(1,334,835)	(1,348,179)
Administrative expenses		(11,407,665)	(10,410,391)
Operating profit		11,197,615	928,622
Interest receivable and similar income	8	14,135	11,996
Profit before taxation		11,211,750	940,618
Tax on profit	10	(2,171,201)	(673,212)
Profit for the financial year	5	9,040,549	267,406

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

TS TECH UK LTD

Balance sheet

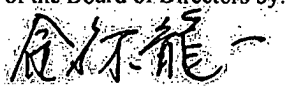
As at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	2,469,186	3,344,590
Tangible assets	13	13,284,840	12,271,435
		<u>15,754,026</u>	<u>15,616,025</u>
Current assets			
Stocks	14	10,745,700	11,945,807
Debtors	15	15,114,413	16,575,292
Cash at bank and in hand		33,927,120	21,065,727
		<u>59,787,233</u>	<u>49,586,825</u>
Creditors: Amounts falling due within one year	16	(24,759,311)	(22,897,189)
Net current assets		<u>35,027,922</u>	<u>26,689,636</u>
Total assets less current liabilities		<u>50,781,948</u>	<u>42,305,661</u>
Creditors: Amounts falling due after more than one year	16		(564,263)
Net assets		<u>50,781,948</u>	<u>41,741,398</u>
Capital and reserves			
Called up share capital	18	12,000,000	12,000,000
Profit and loss account		38,781,948	29,741,398
		<u>50,781,948</u>	<u>41,741,398</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:

R Kanamori
Director


21/12/2018

TS TECH UK LTD

Statement of changes in equity

For the year-ended 31 March 2018

	Share capital £	Profit and loss account £	Total £
Balance at 1 April 2016	12,000,000	29,473,992	41,473,992
Profit for the year	-	267,406	267,406
Balance at 31 March 2017	<u>12,000,000</u>	<u>29,741,398</u>	<u>41,741,398</u>
Profit for the year	-	9,040,549	9,040,549
Balance at 31 March 2018	<u><u>12,000,000</u></u>	<u><u>38,781,948</u></u>	<u><u>50,781,948</u></u>

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

1. General information

TS Tech UK Limited (the Company) is a 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 24.

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.

The principal accounting policies adopted are set out below:

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 2 and 3. The directors have prepared detailed budgets and forecasts for 2018-19, taking account of planned changes in trading performance, and concluded that sufficient revenue is expected to be generated for the business to operate successfully for the foreseeable future. With the introduction of new models and face-lifted variants of current models and the forecast production in support of Honda of the UK Manufacturing Limited, the directors are confident that the business has sufficient funds to meet its liabilities as they fall due and should be duly considered as a going concern. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

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.

Sale of goods

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Sales of goods (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 asset 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).

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Operating profit

Operating profit is stated after charging 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 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.

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

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.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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 property's 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.

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Tangible fixed assets (continued)

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.

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.

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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 instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

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

Loans and receivables

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

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

2. Significant accounting policies (continued)

Financial instruments (continued)

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 20.

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.

Deferred income

Funds are received from Honda of the UK Manufacturing to purchase tooling. The cash is recognised as deferred income until the assets are purchased. The assets once purchased are owned by 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.

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 have the most significant effect on the amounts recognised in 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 2018 is £ 1,000,000 (2017: £nil).

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

4. Turnover

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

	2018 £	2017 £
Turnover		
Car seats	137,127,695	122,832,442
Recycled waste	122,462	76,082
	<u>137,250,157</u>	<u>122,908,524</u>

All turnover derives from the UK.

5. Profit for the financial year

Profit for the year has been arrived at after charging:

	2018 £	2017 £
Net foreign exchange losses	804,256	515,314
Depreciation of tangible fixed assets	1,560,532	1,765,134
Research and development expenditure	-	3,782,650
Amortisation of intangible fixed assets	875,404	1,563,265
Write downs of stock recognised as an expense	645,835	622,376
Cost of stock recognised as an expense	87,528,965	83,015,651
Staff costs (see note 7)	22,731,333	20,659,237

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 £ 60,400 (2017: £58,600).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company were £ 57,600 (2017: £100,550).

7. Staff costs

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

	2018 Number	2017 Number
Production	663	648
Administration	79	82
	<u>742</u>	<u>730</u>

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

7. Staff costs (continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	21,011,707	19,108,023
Social security costs	1,390,044	1,241,443
Other pension costs (see note 19)	329,582	309,771
	<u>22,731,333</u>	<u>20,659,237</u>

Total directors' remuneration is £ 355,703. (2017:£389,912). Remuneration of highest paid director is £ 217,224. (2017:£220,225). The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

8. Interest receivable and similar income

	2018 £	2017 £
Bank deposits	<u>14,135</u>	<u>11,996</u>

9. Other gains and losses

	2018 £	2017 £
Insurance claim for damages in respect of previous period	<u>-</u>	<u>12,819</u>

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

10. Tax

	2018 £	2017 £
Current tax:		
UK corporation tax	2,161,612	180,300
Adjustments in respect of prior years		
- UK corporation tax	3,706	526,607
Total current tax	2,165,318	706,907
Deferred tax (note 17)		
Current year	6,576	3,721
Adjustment in respect of previous years	-	(14,291)
Effect of changes in tax rates	(693)	(23,125)
Total deferred tax	5,883	(33,695)
	2,171,201	673,212

Corporation tax is calculated at 19% (2017: 20%) of the estimated taxable profit for the year.

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

	£	£
Profit before tax	11,211,750	940,618
Tax at the UK corporation tax rate of 19% (2017: 20%)	2,130,233	188,124
Effects of:		
Adjustment in respect of prior years	3,706	512,316
Expenses not deductible	37,955	31,329
Tax rate changes	(693)	(23,127)
Capital gains	-	-
Income not taxable	-	(35,430)
	2,171,201	673,212

The standard rate of tax applied to reported profit on ordinary activities is 19% (2017: 20%). 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 was substantively enacted on 15 September and 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.

11. Dividends

The directors do not recommend the payment of a dividend (2017: £nil).

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

12. Intangible assets

	Development costs £	Software £	Total £
Cost			
At 1 April 2017	9,985,168	780,318	10,765,486
At 31 March 2018	9,985,168	780,318	10,765,486
Amortisation			
At 1 April 2017	6,666,168	754,728	7,420,896
Charge for the year	860,277	15,127	875,404
At 31 March 2018	7,526,445	769,855	8,296,300
Carrying amount			
At 31 March 2018	2,458,723	10,463	2,469,186
At 31 March 2017	3,319,000	25,590	3,344,590

13. Tangible fixed assets

	Assets under construction £	Freehold land and buildings £	Plant and machinery £	Total £
Cost				
At 1 April 2017	63,941	12,652,110	19,666,772	32,382,824
Additions	2,573,937	-	-	2,573,937
Transfers	(2,562,105)	1,363,713	1,198,392	-
Disposals	-	(68,539)	(1,070,593)	(1,139,132)
At 31 March 2018	75,773	13,947,284	19,794,571	33,817,628
Accumulated depreciation and impairment				
At 1 April 2017	-	3,689,531	16,421,858	20,111,389
Charge for the year	-	225,602	1,334,930	1,560,532
Disposals	-	(68,539)	(1,070,593)	(1,139,132)
At 31 March 2018	-	3,846,594	16,686,195	20,532,789
Carrying amount				
At 31 March 2018	75,773	10,100,690	3,108,376	13,284,840
At 31 March 2017	63,941	8,962,578	3,244,916	12,271,435

All land and buildings are held on a freehold basis.

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

14. Stocks

	2018 £	2017 £
Raw materials and goods in transit	10,156,661	11,375,900
Finished goods	589,039	569,907
	<u>10,745,700</u>	<u>11,945,807</u>

15. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	14,347,990	15,644,190
Amounts owed by group undertakings	107,811	39,226
Other debtors	9,563	200,559
Prepayments and accrued income	603,265	569,834
	<u>15,068,629</u>	<u>16,453,809</u>
Amounts falling due after more than one year		
Prepayments and accrued income	45,784	121,483
	<u>15,114,413</u>	<u>16,575,292</u>

16. Creditors

	2018 £	2017 £
Amounts falling due within one year:		
Trade creditors	6,850,938	7,568,145
Corporation tax	2,177,962	673,434
Deferred tax	392,719	386,836
Amounts owed to group undertakings	9,747,499	9,738,237
Deferred income	219,614	188,791
Other creditors including tax and social security	5,370,579	4,121,253
Derivative financial instruments	-	220,493
	<u>24,759,311</u>	<u>22,897,189</u>
Amounts falling due after more than one year:		
Deferred income	-	564,263

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Notes to the financial statements

For the year ended 31 March 2018

17. 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 2016	482,633	12,658	(74,760)	420,531
Charged/(credited) to profit or loss	(87,710)	4,617	49,398	(33,695)
At 31 March 2017	394,923	17,275	(25,362)	386,836
Charged/(credited) to profit or loss	(19,479)	-	25,362	5,883
At 31 March 2018	375,444	17,275	-	392,719

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £	2017 £
Deferred tax liabilities	392,719	412,198
Deferred tax assets	-	(25,362)
	<u>392,719</u>	<u>386,836</u>

18. Share capital

	2018 £	2017 £
Issued and fully paid: 12,000,000 ordinary shares of £1 each	<u>12,000,000</u>	<u>12,000,000</u>

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

19. 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 £329,582 (2017: £309,771) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2018, contributions of £0 (2017: £58,201) 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

For the year ended 31 March 2018

20. 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	
	2018 rate	2017 rate	2018 £	2017 £	2018 £	2017 £
Buy USD						
Less than 3 months	1.3781	1.2303	8,707,641	10,972,933	(215,141)	(220,493)
			<u>8,707,641</u>	<u>10,972,933</u>	<u>(215,141)</u>	<u>(220,493)</u>

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

21. Operating lease arrangements

The Company as lessee

	2018 £	2017 £
Lease payments under operating leases recognised as an expense in the year	<u>1,342,950</u>	<u>1,560,904</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:

	2018 £	2017 £
Within one year	1,129,306	990,224
In the second to fifth years inclusive	<u>1,936,826</u>	<u>2,519,141</u>
	<u>3,066,132</u>	<u>3,509,365</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties, rent & various plant and machinery. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 3 years with an option to extend for a further 1-5 years as the business sees fit at the then prevailing market rate.

22. Financial commitments

	2018 £	2017 £
Contracted for but not provided for - tangible fixed assets	<u>768,000</u>	<u>162,000</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, £13,503,909 was owed by Honda at the period-end date (31 March 2017: £15,049,416). Sales to Honda during the period amounted to £137,134,115 (31 March 2017: £121,602,740).

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

TS TECH UK LTD

Notes to the financial statements

For the year ended 31 March 2018

23. Related party transactions (continued)

	2018 £	2017 £
Directors' remuneration		
Emoluments	355,703	411,087
Company contributions to money purchase pension schemes	-	13,212
	<u>355,703</u>	<u>424,299</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	-	1
	<u>-</u>	<u>1</u>
	2018 £	2017 £
Remuneration of the highest paid director:		
Emoluments	<u>217,224</u>	<u>245,656</u>

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.