

Registered Number: 443687

Adient Seating UK Ltd
Annual report and financial statements for the year ended
30 September 2018



Adient Seating UK Ltd

Annual report and financial statements for the year ended 30 September 2018

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Adient Seating UK Ltd

Strategic report for the year ended 30 September 2018

The directors present their strategic report on the company for the year ended 30 September 2018.

Principal activities

The principal activities of the company continued to be the manufacture and sale of trimmed seats, seat components and interiors to the automotive industry.

Results

The results for the financial year and the financial position of the company are shown in the accompanying financial statements. Loss before taxation for the financial year ended 30 September 2018 was £5.2 million (2017: profit of £10.7 million).

The company is in a robust financial position with net assets of £43.4 million (2017: £31.6 million).

Review of business and future developments

The turnover was £402.0 million, a decrease of 21.3% compared to the prior year. Sales volumes continue to be strong at our Liverpool plant. The business continues to be adversely impacted by volume and mix changes affecting the Just-in-time and components plants. Margin has fallen from 3.9% in 2017 to 1.5% in 2018, this fall is due to one off restructuring costs incurred in the year of £9.9 million

The car manufacturing industry remains competitive in the United Kingdom. The directors monitor the economic and political environment. The directors actively monitor the impact of Brexit, and currently foresee no changes to the current business as a result of Brexit and expect the general level of activity to remain stable for the foreseeable future. However, significant uncertainty remains as to the terms of the U.K.'s withdrawal from the European Union and the effects of Brexit, as discussions between relevant stakeholders continue. Brexit may also have a detrimental effect on Adient's customers and suppliers, which would, in turn, adversely affect Adient's revenues and financial condition. In addition, Brexit may result in legal uncertainty and potentially divergent national laws and regulations as new legal relationships between the U.K. and the European Union are established.

Business environment and strategy

The automotive industry continues to be highly competitive in all areas of the company's operations. The company continually seeks new business with a variety of vehicle manufacturers.

Key performance indicators ("KPIs")

The following KPIs are those which the directors use to monitor the business and which will assist in the understanding of its current overall position.

	2018	2017
Turnover per employee (£'000)	252	285
Gross profit margin	1.50%	3.89%
Distribution costs as a % of turnover	0.38%	0.31%
Administrative expenses as a % of turnover	3.08%	1.31%
Days sales outstanding	52	54
Inventory turnover (days)	17	15

Adient Seating UK Ltd

Strategic report for the year ended 30 September 2018 (cont'd)

Principal risks and uncertainties

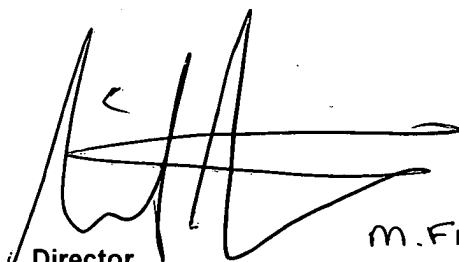
The directors actively monitor the impact of Brexit and significant uncertainty remains, the same as those as the company's ultimate parent and its risks are discussed in the financial statements of Adient Plc at 30 September 2018.

Any of the following could adversely impact Adient's results of operations: the inability of Adient to execute turnaround actions to improve profitability; the loss of, or changes in, automobile supply contracts, sourcing strategies or customer claims with Adient's major customers or suppliers; lack of commodity availability and unfavorable commodity pricing; start-up expenses associated with new vehicle programs or delays or cancellations of such programs; underutilization of Adient's manufacturing facilities, which are generally located near, and devoted to, a particular customer's facility; inability to recover engineering and tooling costs; market and financial consequences of any recalls that may be required on products that Adient has supplied or sold into the automotive aftermarket; delays or difficulties in new product development and integration; quantity and complexity of new program launches, which are subject to Adient's customers' timing, performance, design and quality standards; interruption of supply of certain single-source components; the potential introduction of similar or superior technologies; changing nature and prevalence of Adient's joint ventures and relationships with its strategic business partners; and global overcapacity and vehicle platform proliferation.

Ongoing issues on emissions and Diesel acceptance in the market place may have an impact on our UK customer vehicle volumes and may thus impact Adient.

The company requires risk management and operational policies and procedures to be implemented in all areas of the business. Furthermore, there is a robust supervision structure which allows management to account for the delivery of the company's contracts and to oversee relationships with its key stakeholders.

On behalf of the Board



Director
27 June 2019

M. FLANAGAN

Directors' report for the year ended 30 September 2018

The directors present their report and the audited financial statements of the company for the year ended 30 September 2018.

Dividends

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

Future developments

The future developments of the company are noted in the strategic report.

Financial risk management

Credit risk

The company's policy is that the credit-worthiness of any prospective client, contractor, subcontractor, vendor, joint venture partner or any entity engaging in an economic transaction with the company must be evaluated to ascertain whether it has the financial capacity to enter into and perform its obligations under such transactions. This process is undertaken to ensure from a financial standpoint that any third party has the financial stability and strength necessary to fulfil its commitments to the company. The extent of the credit evaluation must be commensurate with the level of risk associated with the inability of the counterparty to perform under the contract.

The company's policy is to use financial institutions authorised by Adient Plc who actively manage the global banking facilities. All cash held on deposit is pooled at a European level to mitigate risk and as such the company is party to guarantee funds jointly and severally.

Exchange rate risk

The policy is to manage exchange rate risk on contractual future cash flows by the use of forward exchange contracts. In particular the parts, supply and sourcing business has mitigated foreign exchange rate risk with both US dollar and Euro hedges.

Price risk

Competitor price strategies remain an on-going risk to the company's operations. This risk is mitigated through a high-performance culture that inspires our employees, leadership in cost, quality, launch execution, and customer satisfaction.

Liquidity and interest rate risk

Cash balances held with external institutions form part of the Adient Plc group global cash pool arrangement. If funding is required then this is achieved by an internal loan from an Adient Plc group company. As a result the interest rate risk is mitigated as there is no external funding requirement. All risks are closely managed by the corporate risk management team, which is controlled by the ultimate parent company Adient Plc.

Environmental, health and safety matters

Adient Plc is a global market leader and therefore has adopted a uniform global approach to managing environmental, health and safety matters by following the principles and guidance contained in both international standards ISO 14001 and OHSAS 18001. All parts of the corporation are expected to demonstrate through their EHS management system that the principles and objectives set out in these two key standards have been met.

The organisation has clear management and functional lines with detailed responsibilities at all levels, which ensure hazards, and risks are properly identified and controlled through effective management processes and performance related objectives and targets.

Directors' report for the year ended 30 September 2018 (cont'd)

Employment policies

It is the policy of the company that there should be no unfair discrimination in considering applications for employment, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, achieving a common awareness on the part of all employees of the financial and economic factors affecting the company. The company encourages the involvement of employees by means of an employee share purchase scheme, regular employee briefings, annual global employee survey and regular awareness days on different topics for company specific matters.

Creditor payment policy

It is the company's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions. Creditor days in 2018 were 36 days (2017: 35 days), calculated using third party supplier balances and cost of sales excluding engineering costs.

Directors

The following served as directors during the year and up to the date of signing this report, unless otherwise stated:

S Belfield	resigned 1 October 2018
C Ebacher	
M Flanagan	
D McMahon	
R Tate	
M Skonieczny	

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. Adient Plc also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Political and charitable donations

Charitable donations during the year amounted to £3,000 (2017: £3,000). No contributions to political organisations were made during the year (2017: nil).

Directors' report for the year ended 30 September 2018 (cont'd)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

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

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

On behalf of the Board

Director

M. FLANAGAN

27 June 2019

Independent auditors' report to the members of Adient Seating UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Adient Seating UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 September 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Adient Seating UK Ltd (cont'd)

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

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Independent auditors' report to the members of Adient Seating UK Ltd (cont'd)

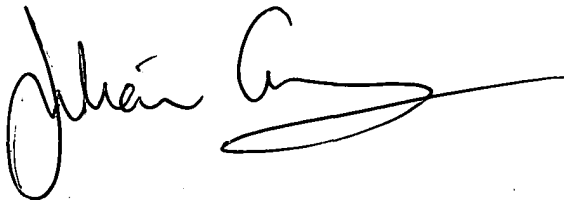
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Julian Gray (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

28 June 2019

Adient Seating UK Ltd

Statement of comprehensive income for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Turnover	5	402,003	510,822
Cost of sales		(395,981)	(490,936)
Gross profit		6,022	19,886
Distribution costs		(1,530)	(1,598)
Administrative expenses		(12,400)	(6,693)
Operating (loss)/profit		(7,908)	11,595
Interest receivable and similar income	6	84	319
Interest payable and similar expenses	7	(484)	(1,206)
Other Income		3,105	-
(Loss)/profit before taxation	8	(5,203)	10,708
Tax on (loss)/profit	10	437	(4,651)
(Loss)/profit for the financial year		(4,766)	6,057
Other comprehensive income			
Remeasurement of net defined benefit obligation	19	20,006	15,689
Movement on deferred tax relating to pension benefit	15	(3,401)	(2,667)
Total comprehensive income for the year		11,839	19,079

All amounts relate to continuing operations.

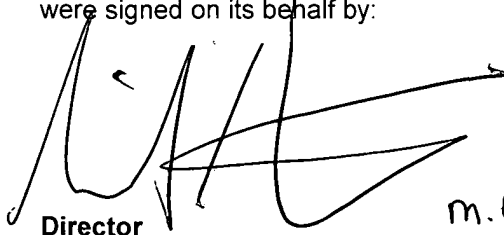
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Statement of financial position at 30 September 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	11	6,935	7,805
Investments	12	6,860	-
		13,795	7,805
Current assets			
Stocks	13	17,800	19,868
Debtors (including £1,935,000 (2017: £1,746,000) due in more than one year)	14	105,013	92,855
Cash at bank and in hand		-	150
Deferred tax asset	15	6,009	8,973
		128,822	121,846
Creditors amounts falling due within one year	16	(104,557)	(84,459)
Net current assets		24,265	37,387
Total assets less current liabilities		38,060	45,192
Provisions for liabilities	17	(6,500)	(1,067)
Pension asset/(liability)	19	11,834	(12,570)
Net assets		43,394	31,555
Capital and reserves			
Called up share capital	20	140	140
Retained earnings		43,254	31,415
Total equity		43,394	31,555

The notes on pages 12 to 30 are an integral part of these financial statements.

The financial statements on pages 9 to 30 were approved by the Board of directors on 27 June 2019 and were signed on its behalf by:


 Director
 Adient Seating UK Ltd
 Registered number: 443687

M. FLANAGAN

Adient Seating UK Ltd

Statement of changes in equity for the year ended 30 September 2018

Note	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2016	140	12,336	12,476
Profit for the financial year	-	6,057	6,057
Other comprehensive income for the year	-	13,022	13,022
Total comprehensive income for the year	-	19,079	19,079
Balance at 30 September 2017	140	31,415	31,555
Loss for the financial year	-	(4,766)	(4,766)
Other comprehensive income for the year	-	16,605	16,605
Total comprehensive income for the year	-	11,839	11,839
Balance at 30 September 2018	140	43,254	43,394

Retained earnings represents accumulated comprehensive income for the year and prior periods.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018

1 General information

Adient Seating UK Ltd ("the company") is a private company limited by shares domiciled and incorporated in England. The address of its registered office is Building 2010, Meriden Business Park, Birmingham Road, Coventry, CV5 9RG.

The company manufactures and sells trimmed seats, seat components and interiors to the automotive industry.

2 Statement of compliance

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

3 Summary of significant accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies which have been applied consistently throughout the year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements on the basis that the information is provided in the consolidated financial statements of Adient Plc, which is registered in Ireland and which itself prepares consolidated financial statements which are publicly available and can be obtained from the address given in note 22:

Section 4 'Statement of Financial Position'

Reconciliation of the opening and closing number of shares as required by paragraph 4.12(a)(iv) of FRS 102;

Section 7 'Statement of Cash Flows'

Presentation of a Statement of Cash Flow and related notes and disclosures as required by paragraph 3.17(d) of FRS 102;

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

3 Summary of significant accounting policies (cont'd)

Reduced disclosures (cont'd)

Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues'

Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in the statement of comprehensive income as required by paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A of FRS 102;

Section 26 'Share based payments'

Details of equity instruments used to compensate employees; as required by paragraphs 26.18(b), 26.19 to 26.21 and 26.23 of FRS 102; and

Section 33 'Related Party Disclosures'

Compensation for key management personnel as required by paragraph 33.7 of FRS 102.

Group financial statements

The company is exempt from the requirement to prepare and deliver consolidated financial statements under the provisions of Section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Adient Plc, which is registered in Ireland and which itself prepares consolidated financial statements which are publicly available and can be obtained from the address given in note 22. Accordingly consolidated financial statements have not been prepared and the financial information presented for both the current and preceding years is for the company as an individual undertaking.

Turnover

Turnover represents the net invoiced value, excluding value added tax, of sales to customers and is recognised at the point of dispatch of goods or provision of services or when risk has been passed to the customer.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are expressed in sterling at rates ruling at the statement of financial position date. Income and expenditure denominated in foreign currencies has been translated into sterling at the rates ruling at the time of the transaction. All differences on exchange are taken to the statement of comprehensive income.

Operating leases

The costs of operating leases are charged to the statement of comprehensive income in the period to which they relate on a straight line basis.

Taxation

Current tax is provided on taxable profits for the period and is calculated using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Tax deferred or accelerated as a result of timing differences between the treatment of certain items for taxation and for accounting purposes is provided in full. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred asset can be recovered in future periods.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

3 Summary of significant accounting policies (cont'd)

Taxation (cont'd)

Deferred tax is measured at the average tax rates that are expected to apply in the periods which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

Fixed asset investments

Fixed assets investments are stated at cost plus incidental expenses less provisions for impairment in value. The company reviews the carrying value of investments when there has been an indication of potential impairment. If it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the statement of comprehensive income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost, which is the original purchase price plus incidental expenses, less accumulated depreciation. Land is not depreciated. Depreciation on other assets is calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful economic life, on a straight line basis as follows:

Leasehold buildings	over term of lease
Freehold buildings	40 to 50 years
Furniture, equipment and vehicles	2 to 7 years
Plant and machinery	2 to 10 years

Assets classed as construction in progress are not depreciated until they are brought into service.

Tooling costs

Tooling costs, which are recoverable from customers, are included within debtors. Tooling costs borne by the company are capitalised within tangible fixed assets and written off over their useful economic life depending upon the duration of the customer contract, up to a maximum of seven years.

Inventories

Stocks are valued on a first-in first-out basis, at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business. In the case of work in progress, costs comprise direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. Where necessary, provision is made for obsolete, slow moving or defective stocks.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

3 Summary of significant accounting policies (cont'd)

Pensions

Defined contribution pension plan

The company operates a defined contribution pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position.

The company also operates a defined contribution scheme with a defined benefit underpin arrangement as a result of a previous change to certain members' contracted out status. As this is a defined benefit underpin the obligation is recognised on the face of the statement of financial position and accounted for as a defined benefit scheme (see below).

Defined benefit pension plan

The company operates a defined benefit pension plan for certain employees. On 31 March 2011 the defined benefit pension scheme was closed to the future accrual of benefits.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The liability recognised in the statement of financial position is the present value of the defined benefit pension plan less the fair value of the plan assets at the reporting date.

The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds of equivalent terms and currency to the liability ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme assets are measured consistently for the defined benefit pension schemes and the defined benefit underpin.

Actuarial gains and losses are credited or charged to other comprehensive income. The net interest cost is calculated by applying a single discount rate to the net balance of the defined benefit liability or asset. This cost is recognised in the statement of comprehensive income as interest receivable and similar income or interest payable and similar expenses.

Long term incentive plan

Adient Plc grants awards of stock appreciation rights (SARs) to senior employees of Adient Seating UK Ltd. The plan liabilities are measured over the period the employee provides their services to the point of vesting and is charged to operating profit. The options are valued using a Black-Scholes option-pricing model. The employee receives the market value of their award as cash consideration when the award is vested. The employee never owns any actual stock.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions are aggregated unless, in the opinion of the directors separate disclosure is necessary to understand the effect of the transactions on the financial statements.

The company does not disclose transactions with members of the same group that are wholly owned.

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

3 Summary of significant accounting policies (cont'd)

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and loans to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method and are assessed annually for evidence of impairment. Any impairment loss or reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Such debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classed as current liabilities if payment is due within one year or less.

Forward exchange contracts

Forward exchange contracts are not basic financial instruments. They are initially measured at fair value on the date the contract is entered into and are then subsequently re-measured at fair value. The company does not apply hedge accounting. Changes in the value of the contracts are recognised in comprehensive income within interest income or expense as they are incurred.

Fair value is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EUR and GBP:USD.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4 Critical accounting judgements and estimation uncertainty

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 19 for disclosures relating to the pension scheme.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

5 Turnover

The turnover arose from the manufacture and sale of trimmed seats, seat components and interiors to the automotive industry.

The turnover arose in the following geographical areas by origin and destination:

	2018	2017
Turnover	£'000	£'000
United Kingdom	397,239	498,912
Europe	4,764	11,738
Rest of World	-	172
	402,003	510,822

6 Interest receivable and similar income

	2018	2017
	£'000	£'000
Bank interest	84	319

7 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Bank interest	142	292
Net interest expenses on post-employment benefits (see note 19)	342	914
	484	1,206

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

8 (Loss)/Profit before taxation

	2018 £'000	2017 £'000
(Loss)/Profit before taxation is stated after charging/(crediting)		
Staff costs		
- wages and salaries	58,720	63,036
- social security costs	5,761	6,166
- share based payments	(1,067)	325
- other pension costs (see note 19)	(2,360)	3,277
Total staff costs	61,054	72,804
Depreciation of tangible assets (see note 11)	1,813	1,706
Loss/(profit) on disposal of tangible assets	21	(16)
Operating lease charges	17,361	21,739
Auditors' remuneration		
- for audit services	86	98
Impairment of inventory (included in cost of sales)	1,656	570
Inventory recognised as an expense	293,388	329,606
Reversal of impairment of trade receivables	(48)	(165)
Foreign exchange loss	1,103	684
Forward exchange contract gain	(575)	(79)

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

9 Directors and employees

	2018	2017
Directors' emoluments	£'000	£'000
Aggregate emoluments of the directors	1,267	1,502
Company pension contributions to defined contribution schemes	58	74
	1,325	1,576

	2018	2017
Highest paid director	£'000	£'000
Aggregate emoluments	558	494
Company pension contributions to defined contribution scheme	27	30
	585	524

During the year no directors received compensation for loss of office (2017: £142,538).

Emoluments of three directors (2017: five) are paid and borne by the company as disclosed above of which one director is (2017: one director) paid via the company's payroll but all of their costs to the company are recharged to other group company undertakings since their services to the company are incidental to their services to the group as a whole.

Emoluments of three directors (2017: four) are borne by Adient Plc group company and it is not possible to separately identify the amount relating to their remuneration for services performed for this company. No other amounts have been paid or are owed at 30 September 2018 (2017: £nil) in respect of services supplied by the directors to the company.

Retirement benefits were accruing to four directors (2017: six) under the defined contribution scheme. One director (2017: two) has benefits accrued under the now closed defined benefit scheme. During the year three directors (2017: three) were entitled to a bonus based on the share price of Adient Plc. No shares were received or receivable by any of the directors in respect of qualifying services under a long term incentive scheme.

The monthly average number of employees for the company, including executive directors, analysed by category, was as follows:

Staff numbers	2018	2017
	Number	Number
Manufacturing and production	1,278	1,433
Administration and management	296	333
Distribution	23	26
	1,597	1,792

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

10 Tax on (loss)/profit

	2018 £'000	2017 £'000
Current tax		
UK Corporation tax at 19% (2017: 19.5%)	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	845	1,161
Adjustments to tax charge in respect of previous periods	(41)	802
Tax loss carried forward	(2,729)	-
Pension related timing difference	1,488	2,688
Total deferred tax (credit)/charge	(437)	4,651
Total tax (credit)/charge on (loss)/profit	(437)	4,651

UK Corporation tax is calculated at the standard rate of 19% (2017: blended rate of 19.5%) of the estimated taxable loss for the year.

Factors affecting the total tax for the year

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: blended rate of 19.5%). The differences are explained below:

	2018 £'000	2017 £'000
(Loss)/profit before taxation	(5,203)	10,708
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2017: blended rate of 19.5%)	(989)	2,088
Effects of:		
Expenses not deductible for tax purposes	155	12
Non taxable income	(286)	-
Group relief surrendered for nil consideration	677	2,315
Adjustments to tax charge in respect of previous periods	(41)	802
Impact of change in corporation tax rate on timing differences	222	(171)
Impact of change in corporation tax rate on pension relief	(175)	(395)
Total tax (credit)/charge	(437)	4,651

On 26 October 2015, Finance (No.2) Act 2015 was substantively enacted, reducing the main rate of corporation tax in the UK from 20% to 19% from 1 April 2017. A standard rate of 19% has therefore been used for the reconciliation of total tax. On 6 September 2016, Finance Act 2016 was substantively enacted, further reducing the rate to 17% from 1 April 2020. Deferred taxes have been measured at the rates substantially enacted at the balance sheet date at which they are forecast to reverse.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

11 Tangible assets

	Leasehold land and buildings £'000	Freehold, land and buildings £'000	Furniture, equipment and vehicles £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
Cost						
At 1 October 2017	3,649	1,061	2,880	5,260	1,002	13,852
Additions	8	41	158	298	2,282	2,787
Transfers from construction in progress	-	80	29	87	(196)	-
Disposals	(27)	-	(74)	-	(555)	(656)
At 30 September 2018	3,630	1,182	2,993	5,645	2,533	15,983
Accumulated depreciation						
At 1 October 2017	1,398	412	2,509	1,728	-	6,047
Charge for the year	395	237	328	853	-	1,813
Impairment	64	150	72	984	-	1,270
Disposals	(8)	-	(74)	-	-	(82)
At 30 September 2018	1,849	799	2,835	3,565	-	9,048
Net book value						
At 30 September 2018	1,781	383	158	2,080	2,533	6,935
At 30 September 2017	2,251	649	371	3,532	1,002	7,805

Assets are transferred from construction in progress to other fixed asset categories on being commissioned. Any construction in progress asset transferred to Adient Properties UK Ltd is done so at actual cost with no gain or loss arising on this disposal. At 30 September 2018 future capital expenditure for the company authorised by the directors but not provided in the financial statements was £nil (2017: £nil).

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

12 Investments

	Total £'000
Fixed asset investments	
Cost	
At 1 October 2017	-
Addition	6,860
At 30 September 2018	6,860

Analysed as:

	2018 £'000
Adient UK Pension Scheme Trustee Limited	-
Lamination Automotive Fabrics S.à.r.l.	6,860
	6,860

At 30 September 2018 the Company had the following investments in subsidiary and joint venture undertakings:

	Class of shares	Proportion of nominal value of shares issued held by:		Registered Office
		Company	Other group companies	
Investments in subsidiaries				
Adient UK Pension Scheme Trustee Limited	Ordinary	100%	-	Building 2010, Meriden Business Park, Birmingham Road, Coventry, CV5 9RG, United Kingdom
Lamination Automotive Fabrics S.à.r.l.	Ordinary	90%	10%	Lots I3.19-i3.20, Atlantic Free Zone – Seflia, Morocco

The directors believe that the carrying value of the investments is supported by their underlying net assets.

In August 2018 90% of the ordinary share capital of Lamination Automotive Fabrics S.à.r.l. was purchased from another group company for cash consideration of €7,749,000.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

13 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	15,096	16,910
Work in progress	2,704	2,958
	17,800	19,878

There is no significant difference between the replacement cost of the inventories and the statement of financial position carrying amount.

Inventories are stated net of provision for impairment of £1,465,000 (2017: £1,052,000)

14 Debtors

	2018 £'000	2017 £'000
Trade debtors	62,221	68,489
Amounts owed by group undertakings	30,704	18,261
Other current debtors	7,686	3,316
Forward foreign exchange contract	2,467	1,043
Other non-current debtors	1,935	1,746
	105,013	92,855

Trade debtors are stated after provisions for impairment of £135,000 (2017: £147,000)

Amounts owed by group undertakings include £18,875,000 transferred to Adient Holding UK Ltd under a zero balance pooled bank agreement which are unsecured, repayable on demand and bear an interest rate of Bank of England base rate + 1.05% (2017: Bank of England base rate + 1.05%). All remaining amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Other non-current debtors are contracts where customers have agreed the engineering price but contract completion and payment is over one year.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

15 Deferred tax asset

	2018 £'000	2017 £'000
Fixed asset timing differences	4,421	5,086
Short term timing differences	45	228
Tax Losses	2,773	-
Post-employment benefits	(1,230)	3,659
Total deferred tax asset	6,009	8,973
		£'000
Asset recognised at 1 October 2017		8,973
Amount credited to profit or loss		437
Amount charged to other comprehensive income		(3,401)
Asset recognised at 30 September 2018		6,009

16 Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	14,484	-
Trade creditors	38,801	45,231
Amounts owed to group undertakings	32,216	19,333
Taxation and social security	7,841	9,106
Forward foreign exchange contracts	2,298	561
Accruals and deferred income	8,917	10,228
	104,557	84,459

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The bank overdraft is charged at LIBOR +70bps for cash borrowings and is secured by way of a guarantee from the ultimate parent company, Adient Plc.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

17 Provisions for liabilities

	Share Appreciation Rights £'000	Redundancy £'000	Total £'000
At 1 October 2017	1,067	-	1,067
Charged to the profit and loss account	-	6,500	6,500
Utilised/released during the year	(1,067)	-	(1,067)
At 30 September 2018	-	6,500	6,500

The provision at 30 September 2018 relates to redundancy costs.

18 Operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018 £'000	2017 £'000
Within one year	9,077	10,963
Within two to five years	7,002	9,358
Over five years	1,773	1,947
	17,852	22,268

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

19 Pension costs

The company participates in the Adient UK Pension Scheme (formerly Johnson Controls (UK) Group Pension Scheme) which has two sections, the JCA section which is a defined benefit plan and the Group scheme which is a defined contribution plan with a defined benefit underpin. In the past year, the company contributed £nil (2017: £10,000,000) to the JCA section and £nil (2017: £6,000,000) to the Group scheme. At the year end other creditors included £nil (2017: £nil) in respect of outstanding contributions.

The total amount charged to loss (2017: profit) before taxation for each of these funds is as follows:

	2018 £'000	2017 £'000
Adient UK Pension Scheme – JCA section	(4,740)	466
Defined contribution schemes	2,038	1,897
Total charged to operating profit	(2,702)	2,363
Net interest expense		
Adient UK Pension Scheme – JCA section	331	515
Adient UK Pension Scheme group scheme	11	399
	(2,360)	3,277

The total pension asset/(liability) shown in the statement of financial position for each of these funds is as follows:

	2018 £'000	2017 £'000
Adient UK Pension Scheme – JCA section	7,534	(12,170)
Adient UK Pension Scheme – group scheme	4,300	(400)
Pension asset/(liability)	11,834	(12,570)

A full actuarial valuation of the schemes was carried out as at 31 March 2016 and updated to 30 September 2018 by qualified independent actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2018 %pa	2017 %pa
Inflation (RPI)	3.30	3.27
Inflation (CPI)	2.20	2.17
Rate of increase of pensions in payment	3.15	3.19
Discount rate	2.93	2.72

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

19 Pension costs (cont'd)

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2018		2017	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.5	24.8	23.1	25.6
Member age 45 (life expectancy at age 65)	23.2	26.2	24.6	27.9

Adient UK Pension Scheme – JCA section

On the 31 March 2011 the pension scheme was closed to the future accrual of benefits.

The contributions made by the employer over the financial year have been £nil (2017: £10,000,000).

Reconciliation of scheme assets and liabilities	Assets £'000	Liabilities £'000	Total £'000
At 1 October 2017	177,939	(190,109)	(12,170)
Administrative expense	(760)	-	(760)
Interest income/(expense)	4,735	(5,066)	(331)
Actuarial (losses)/gains on assets and liabilities	(1,519)	16,814	15,295
Past service cost	-	5,500	5,500
Benefits paid	(7,680)	7,680	-
At 30 September 2018	172,715	(165,181)	7,534

The company expects to contribute £11,500,000 to its pension plan in the year ended 30 September 2019.

The return on plan assets was:

	2018 £'000	2017 £'000
Interest income	4,735	4,093
Return on plan assets less interest income	(1,519)	(3,666)
Total return on plan assets	3,216	427

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

19 Pension costs (cont'd)

The assets in the scheme comprised:

	2018 Fair value £'000	2018 % of total assets	2017 Fair value £'000
Equities	17,901	10.4%	18,545
Bonds	4,720	2.7%	27,130
Diversified growth fund	51,644	29.9%	51,319
Others	22,044	12.8%	6,049
Liability Driven Investment	76,406	44.2%	74,896
	172,715	100%	177,939

None of the Scheme assets are invested in the company's financial instruments or in property occupied by, or other assets used by the company.

Adient UK Pension Scheme - Group scheme

The contributions made by the employer over the financial year have been £nil (2017: £6,000,000).

Reconciliation of scheme assets and liabilities	Assets £'000	Liabilities £'000	Total £'000
At 1 October 2017	73,300	(73,700)	(400)
Interest income/(cost)	1,994	(2,005)	(11)
Actuarial gains on assets and liabilities	206	4,505	4,711
At 30 September 2018	75,500	(71,200)	4,300

The company expects to contribute £2,500,000 to its pension plan in the year ended 30 September 2019.

Total return on plan assets was:

	2018 £'000	2017 £'000
Interest income	1,994	1,596
Return on plan assets less interest income	206	(696)
Total return on plan assets	2,200	900

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

20 Called up share capital

	2018	2017
Allotted and fully paid	£'000	£'000
140,000 (2017: 140,000) ordinary shares of £1 each	140	140
	140	140

None of the issued shares have any redemption rights and dividends are only declared at the discretion of the directors.

21 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Balances due from/(to) related parties	2018 £'000	2017 £'000
a. Amounts receivable/(payable) balance due from/(to) Steel Automotive GmbH	7	(143)
b. Accounts payable balance due to Adient Yanfeng Seating Mechanism Co., Ltd.	(157)	(159)
c. Accounts receivable balance due from Yanfeng Adient Seating Co, Ltd.	31	31
d. Amounts (payable)/receivable balance due (to)/from Dinz Adient Oto Donamin Sanayi ve Ticaret A.S.	(4)	2
e. Accounts payable balance due to Yanfeng US Automotive Interior Systems II LLC	(13)	-

Transactions with related parties during the year	2018 £'000	2017 £'000
a. Purchases from Yanfeng US Automotive Interior Systems II LLC	291	35
b. Purchases from/(sales to) Dinz Adient Oto Donamin Sanayi ve Ticaret A.S.	2	(27)
c. Purchases from Steel Automotive GmbH	323	659
d. Purchases from Adient Yanfeng Seating Mechanism Co., Ltd.	3,197	6,808
e. Purchases from Yanfeng Adient (Shanghai Jiading) Automotive Metal Components Co., Ltd.	136	157
f. Sales to Yanfeng Europe Automotive Interior Systems Management Limited & Co., Ltd.	-	6

All related party balances are unsecured. They will all be settled by cash consideration. There have been no guarantees given or received between related parties.

Adient Seating UK Ltd

Notes to the financial statements for the year ended 30 September 2018 (cont'd)

22 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Adient Holding UK Limited.

As at 30 September 2018, the ultimate parent undertaking and controlling party was Adient Plc, a company incorporated in Ireland. Adient Plc was the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 September 2018. The consolidated financial statements of Adient Plc are available from:

Adient Plc
25-28 North Wall Quay
IFSC, Dublin 1

23 Commitments

On 31 October 2016 JP Morgan Chase Bank N.A. (And Its Successors in Title and Permitted Transferees) was assigned a fixed and floating charge which covers all the property or undertaking of the company. This was in place until 6 May 2019. On 6 May 2019, JP Morgan Chase Bank N.A, US Bank National Association and Bank of America N.A. (and their successors in title and permitted transferees) were assigned a fixed and floating charge which covers all the property or undertaking of the company.