

JTEKT AUTOMOTIVE UK LIMITED

Annual Report and Financial Statements

Year ended 31 March 2017



REPORT AND FINANCIAL STATEMENTS 2017

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Takahashi (resigned 1 April 2016)
I I Hiroshi (appointed 1 April 2016)
K Gittins

SECRETARY

M Takahashi (resigned 2 January 2017)
A Onoda (appointed 2 January 2017)

REGISTERED OFFICE

Neath Vale Supplier Park
Resolven
Neath
Wales
SA11 4SP

BANKERS

Bank of Tokyo Mitsubishi UFJ Limited
Sumitomo Mitsui Banking Corporation
Lloyds Banking Group Plc

AUDITOR

Deloitte LLP
Cardiff

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's principal activity continued to be the machining and assembly of automotive components. JTEKT Automotive UK Limited has continued with its strategy of focusing on value added products.

The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the income statement on page 8 the company's sales have decreased by 6% compared to the prior year to £20.7m (2016: £22.0m), due to lower volume sales to Nissan.

Gross margin has increased to 10.1% in 2017 compared to 8.6% in 2016.

KEY PERFORMANCE INDICATORS

		2017	2016
Quality	Number of returned goods	1	1
Safety	Number of accidents	-	-
Delivery	Number of short shipments	-	-
Gross margin		10.1%	8.6%

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a highly competitive market, which is a continuing risk to the company and could result in a loss of sales to its key competitors. The company manages this risk by providing value added services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

The company's sales to Toyota and Nissan are in Euros and therefore the company is exposed to movement in the Euro to Sterling exchange rate. The company also sources products from Japan and China and therefore has the risk of underlying exchange rate fluctuations from the Japanese and Chinese currencies.

The main risks arising from the company's financial instruments are credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

With regard to liquidity, the company's policy throughout the year has been to ensure continuity of funding for ongoing operations and future developments; the company achieves this through the use of its own cash reserves.

Foreign currency risk

As stated above, the sales to Toyota and Nissan are in Euros and therefore these transactions represent an exposure to foreign currency risk. Also, the company purchases products and services from Japan in the Euro and the Yen as well as from China in the Yuan and therefore is at risk from changes in foreign currency rates. The company manages these risks by selling and purchasing foreign currency by way of foreign exchange forward contracts and spot deals. The company does not use derivative financial instruments for speculative purposes. As the company has decided not to hedge account for its derivative financial instruments as permitted under IAS 39, they are accounted for through the income statement. Derivative financial assets and liabilities are stated at fair value, which includes accrued interest receivable and payable where relevant. Changes in fair values are recognised in the income statement in the period in which they arise.

STRATEGIC REPORT (continued)

FUTURE PROSPECTS

The company will continue to find synergies in its manufacturing process and develop new value added products to offset the continued trend of utility price increases.

GOING CONCERN

The company's current order book extends for eight years.

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the current financial position of the company and forecast cash flows, and have concluded that it is appropriate at the date of signing the audit report. In forming this conclusion, the directors have considered that the company is expected to maintain a positive cash balance in the forthcoming financial year and for the foreseeable future, thus enabling the company to meet its financial obligations as they fall due.

The long-term financing requirements of the company are met by its own cash reserves. The company has met all payments as they have fallen due up to the date of approving the financial statements, and the forecasts indicate that the company can continue to meet such payments for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

DISABLED EMPLOYEES

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. The company is an Equal Opportunities Employer and works within the guidelines of the Equalities Act 2010.

ENVIRONMENT

JTEKT Automotive Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption. The company's commitment to its environmental responsibilities is demonstrated by its certification for ISO14001:2004, which it has held continuously since 2004.

EMPLOYEE INVOLVEMENT

During the year, regular meetings have been held between local management and employees to allow a free flow of information and ideas. Several formal suggestion schemes exist regarding safety, quality and workplace improvements and these are reviewed on a regular basis and accepted or rejected with reason. A bi-annual communication of the company's performance is also presented by local management.

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



K Gittins - Director

Date: 13/06/17

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

PARENT COMPANY

The ultimate parent undertaking and controlling party is JTEKT Corporation, a company incorporated in Japan.

RESULTS AND DIVIDENDS

The company's profit after taxation for the financial year amounted to £733,000 (2016: £404,000). The directors do not recommend the payment of a dividend (2016: £nil).

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently unless otherwise stated, are as shown on page 1.

DIRECTORS' INDEMNITY INSURANCE

Directors' indemnity insurance is provided with the cost incurred by the immediate parent company, JTEKT Corporation.

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves 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 s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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



K Gittins - Director
Date: 13/06/17

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 JTEKT AUTOMOTIVE UK LIMITED

We have audited the financial statements of JTEKT Automotive UK Limited for the year ended 31 March 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Andrew Woodhead

Andrew Woodhead (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

14 June 2017

INCOME STATEMENT
Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
REVENUE	4,5	20,717	22,038
Cost of sales		<u>(18,589)</u>	<u>(20,151)</u>
GROSS PROFIT		2,128	1,887
Other operating income		1	1
Other operating expenses		<u>(1,389)</u>	<u>(1,200)</u>
OPERATING PROFIT	6	740	688
Investment revenue	8	81	93
Other gains and losses	9	<u>17</u>	<u>(213)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		838	568
Tax charge on profit on ordinary activities	10	<u>(105)</u>	<u>(164)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>733</u>	<u>404</u>

All amounts derive from continuing operations.

There have been no recognised gains or losses in either year other than the profit for each year. Accordingly, no separate statement of comprehensive income has been presented.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

	Share capital £'000	Retained earnings £'000	2017 Total equity £'000	2016 Total equity £'000
Balance at beginning of the year	9,000	8,843	17,843	17,439
Profit for the financial year	-	733	733	404
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of the year	9,000	9,576	18,576	17,843
	<hr/>	<hr/>	<hr/>	<hr/>

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,168	2,248
Deferred tax asset	18	324	291
		<u>2,492</u>	<u>2,539</u>
CURRENT ASSETS			
Inventories	12	704	1,237
Trade and other receivables	14	15,439	15,159
Cash and cash equivalents	15	2,724	2,737
		<u>18,867</u>	<u>19,133</u>
TOTAL ASSETS		<u>21,359</u>	<u>21,672</u>
CURRENT LIABILITIES			
Trade and other payables	17	(2,482)	(3,512)
NON-CURRENT LIABILITIES			
Provisions	19	(301)	(317)
TOTAL LIABILITIES		<u>(2,783)</u>	<u>(3,829)</u>
NET ASSETS		<u>18,576</u>	<u>17,843</u>
EQUITY			
Share capital	20	9,000	9,000
Retained earnings		9,576	8,843
TOTAL EQUITY		<u>18,576</u>	<u>17,843</u>

The financial statements of JTEKT Automotive UK Limited, registered number 03345292, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors



K Gittins - Director
Date: 13/06/17

CASH FLOW STATEMENT

Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	22	286	(491)
INVESTING ACTIVITIES			
Interest received		81	93
Purchase of property, plant and equipment		(278)	(215)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(197)	(122)
Taxation paid		(102)	(7)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13)	(620)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,737	3,357
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,724	2,737

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. GENERAL INFORMATION

JTEKT Automotive UK Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of its operations and its principal activity is set out in the business review and principal activities section on page 2.

ADOPTION OF NEW AND REVISED STANDARDS

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union as they apply to financial statements for the year ended 31 March 2017 and applied in accordance with the Companies Act 2006. The financial statements are presented in Pounds Sterling, as that is the currency of the primary economic environment in which the company operates.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been endorsed by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The directors will continue to assess how the adoption of these standards and interpretations in future periods will impact on the financial statements.

2. ACCOUNTING POLICIES

Basis of preparation

These accounting policies are based on the IFRSs, IASs and IFRIC interpretations as adopted by the European Union (collectively "IFRSs"). The financial statements have been prepared in accordance with the historical cost convention.

Revenue recognition

Revenue, which represents the value of goods and services supplied, excluding value added tax and trade discounts, is recognised for the majority of products on despatch of goods sold and for a minority of products on delivery of goods sold.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currency

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the statement of financial position date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Operating profit

Operating profit is stated before investment income, finance costs and foreign exchange.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2017****2. ACCOUNTING POLICIES (continued)****Taxation**

Tax on the profit or loss for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates substantively enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements, and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the statement of financial position date, and is expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the income statement, except where it relates to items recognised directly in equity in which case it is recognised in equity

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the relevant instrument. Financial assets are derecognised when the rights to receive benefits have expired or been transferred, and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation is extinguished.

Non-derivative financial assets are classified as either loans and receivables or cash and cash equivalents. They are stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of those receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the income statement. For interest-bearing assets, their carrying value includes accrued interest receivable.

Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments. Non-derivative financial liabilities (classified as other payables) are stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as any unamortised issue costs.

The company transacts derivative financial instruments to manage the underlying exposure to foreign exchange and interest rate risks. The company does not transact derivative financial instruments for trading purposes. However, as the company has decided not to hedge account for its derivative financial instruments as permitted under IAS 39, they are accounted for through the income statement. Derivative financial assets and liabilities are stated at fair value, which includes accrued interest receivable and payable where relevant. Changes in fair values are recognised in the income statement in the period in which they arise.

Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, where it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2017****2. ACCOUNTING POLICIES (continued)****Property, plant and equipment**

Property, plant and equipment are shown in the statement of financial position at their historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items. Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement as incurred.

Depreciation is provided so as to write off the initial cost of each asset to its residual value on a straight-line basis over its estimated useful life as follows:

Long leasehold buildings	40 years
Fixtures and fittings	3 - 5 years
Plant and machinery	3 - 10 years
Motor vehicles	3 years

No depreciation is provided on assets in the course of construction.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Impairment of assets

Assets that have an indefinite life are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Government grants

Government grants are recorded initially as deferred income and recognised in the income statement in line with the expense to which they contribute. For grants in respect of the purchase of property, plant and equipment, the deferred income is released over the life of the related assets. For grants in respect of staff costs, the deferred income is released over the monitoring period of the grant offer.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents expenses incurred in bringing each product to its present location and condition. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred in bringing the products to completion and disposal. Provision is made for obsolete and slow-moving items where appropriate.

Pensions

The company operates a defined contribution pension scheme. The amounts charged to the income statement in respect of the scheme are the contributions payable in the period. Differences between the contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2017****2. ACCOUNTING POLICIES (continued)****Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 3.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Fair value of derivatives and other financial instruments

The directors use their judgement in selecting appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates. There were four open contracts at the statement of financial position date.

Warranty provision

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the company's obligation.

4. REVENUE

An analysis of the company's revenue is as follows:

	2017 £'000	2016 £'000
Continuing operations		
Sale of goods	20,717	22,038

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

	2017 £'000	2016 £'000
Analysis by product		
The revenue by product variant was as follows:		
Hydraulic pumps	120	610
Hydraulic hoses	20	16
Machined axle components	7,317	7,554
Manual steering gears	9,030	8,816
Steering columns	4,230	5,042
	<u>20,717</u>	<u>22,038</u>
	£'000	£'000
Analysis by destination		
The revenue by destination was as follows:		
United Kingdom	<u>20,717</u>	<u>22,038</u>

Revenue arises from a single class of business.

Included in revenue are sales of approximately £13.9m (2016: £14.2m) to the company's largest customer. Sales of £4.2m (2016: £5.0m) and £2.4m (2016: £2.3m) are to the company's second and third largest customers.

6. OPERATING PROFIT

	2017 £'000	2016 £'000
This has been arrived at after charging/(crediting):		
Government grants	(1)	(1)
Depreciation of property, plant and equipment – owned assets	358	372
Staff costs	1,992	2,173
Operating lease rentals – other	32	32
Cost of inventories recognised as an expense	17,646	16,280
Auditor's remuneration – audit services for the audit of the company's financial statements	<u>20</u>	<u>19</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017	2016
	£'000	£'000
Director emoluments		
Emoluments	105	97
Contributions to money purchase pension schemes	5	9
Other benefits in kind	4	4
	<u>114</u>	<u>110</u>
	No.	No.
Number of directors in pension scheme	<u>1</u>	<u>1</u>
	No.	No.
Average number of persons employed (including directors)		
Production	58	66
Sales and administration	8	7
	<u>66</u>	<u>73</u>
	£'000	£'000
Staff costs during the period (including directors)		
Wages and salaries	1,781	1,952
Social security costs	150	159
Other pension costs	61	62
	<u>1,992</u>	<u>2,173</u>

In both 2016 and 2017, one director was remunerated by the parent company for services to the group as a whole. It is not considered practicable to reallocate this remuneration across individual group companies. Details of the remuneration are disclosed in the financial statements of JTEKT Corporation, which are publicly available.

8. INVESTMENT REVENUE

	2017	2016
	£'000	£'000
Interest on bank deposits	6	13
Interest on inter-company loans	75	80
	<u>81</u>	<u>93</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

9. OTHER GAINS AND LOSSES

	2017	2016
	£'000	£'000
Foreign exchange gains/ (losses)	17	(213)

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2017	2016
	£'000	£'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 20% (2016: 20%)	(131)	(98)
Increase in UK corporation tax arising from adjustment for prior period	(7)	-
Deferred tax	(138)	(98)
Origination and reversal of timing differences (note 18)	33	(66)
Total tax charge for the year	(105)	(164)

The charge for the year can be reconciled to the profit per the income statement as follows:

	£'000	£'000
Profit on ordinary activities before tax	838	568
Tax on profit on ordinary activities before tax at 20% (2016: 20%)	(168)	(114)
Factors affecting charge for the year		
Non-taxable income	(1)	-
Accelerated capital allowances and other timing differences	71	(50)
Increase in current tax arising from adjustment for prior period	(7)	-
Total tax for the year	(105)	(164)

The forthcoming change in the corporation tax rate from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020 will not materially affect the future tax charge.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

11. PROPERTY, PLANT AND EQUIPMENT

	Assets in the course of construction £'000	Long leasehold buildings £'000	Fixtures and fittings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2015	14	3,496	157	10,962	82	14,711
Additions	101	12	2	100	-	215
Disposals	-	(7)	(2)	-	-	(9)
Reclassification	(14)	1	-	13	-	-
At 1 April 2016	101	3,502	157	11,075	82	14,917
Additions	279	-	-	-	-	279
Disposals	-	-	(1)	-	-	(1)
Reclassification	(250)	79	102	69	-	-
At 31 March 2017	130	3,581	258	11,144	82	15,195
Depreciation						
At 1 April 2015	-	1,593	129	10,503	81	12,306
Charge for the year	-	110	13	248	1	372
Disposals	-	(7)	(2)	-	-	(9)
At 1 April 2016	-	1,696	140	10,751	82	12,669
Charge for the year	-	122	14	222	-	358
Disposals	-	-	-	-	-	-
At 31 March 2017	-	1,818	154	10,973	82	13,027
Carrying amount						
At 31 March 2017	130	1,763	104	171	-	2,168
At 31 March 2016	101	1,806	17	324	-	2,248

12. INVENTORIES

	2017 £'000	2016 £'000
Raw materials	621	1,063
Finished goods	83	174
	704	1,237

13. FINANCIAL ASSETS

	2017 £'000	2016 £'000
Cash and cash equivalents (note 15)	2,724	2,737
Trade receivables (note 14)	44	717
Amounts owed by related parties (note 14, note 26)	1,260	1,296
Amounts owed by group undertakings (note 14, note 26)	14,016	13,022
	18,044	17,772

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	£'000	£'000
Trade receivables	44	717
Amounts owed by related parties (note 26)	1,260	1,296
Amounts owed by group undertakings (note 26)	14,016	13,022
Prepayments	119	124
	<u>15,439</u>	<u>15,159</u>

Trade receivables

Total trade receivables and amounts owed by related parties (net of allowances of £247,750 (2016: £455,000) held by the company at 31 March 2017 amounted to £1,304,000 (2016: £2,013,000).

The average credit period taken on sale of goods is 28 days (2016: 34 days). The company has provided fully for all receivables which are considered impaired. Management performs a monthly detailed review of the trade receivables ledger to assess receivables that are past due and not recoverable.

Ageing of past due but not impaired receivables:

	£'000	£'000
Less than three months	(2)	5
More than three months	11	30
	<u>9</u>	<u>35</u>

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Of the trade receivables balance at the end of the year our top three customers accounted for 97% (2016: 99%) of the trade receivables balance.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. CASH AND CASH EQUIVALENTS

These comprise cash in hand and deposits held at call with banks. The carrying amount of these assets approximates their fair value.

16. FINANCIAL LIABILITIES

	2017	2016
	£'000	£'000
Trade payables (note 17)	1,146	1,268
Amounts owed to group undertakings (note 17 and note 26)	651	1,243
Other taxation and social security (note 17)	454	632
	<u>2,251</u>	<u>3,143</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

17. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	1,146	1,268
Amounts owed to group undertakings	651	1,243
Other taxation and social security	454	632
Accruals	230	367
Deferred income	1	2
	<u>2,482</u>	<u>3,512</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2016: 41 days). The directors consider that the carrying amount of trade payables approximates their fair value.

18. DEFERRED TAX

	2017 £'000	2016 £'000
At beginning of accounting period	291	357
Credited/(charged) to the income statement	33	(66)
At 31 March	<u>324</u>	<u>291</u>

The deferred tax asset comprises accelerated capital allowances of £324,000 (2016: £291,000). The directors are of the opinion that, based on recent and forecast trading, the level of profits in the future financial year will be sufficient in order to recognise the asset by 31 March 2020.

19. PROVISIONS

	2017 £'000	2016 £'000
Warranty provision		
At beginning of accounting period	317	311
Increase in provision in the period	30	30
Utilisation of provision	(46)	(24)
At 31 March	<u>301</u>	<u>317</u>

The warranty provision is established to recognise known and expected claims against delivered products within the contractual guarantee periods for such sales. The expenditure is expected to be mainly incurred within 60 months of the statement of financial position date, i.e. the contractual warranty period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

20. CALLED UP SHARE CAPITAL

	2017	2016
	£'000	£'000
Called up, allotted and fully paid		
9,000,000 (2016: 9,000,000) ordinary shares of £1 each	9,000	9,000
	<u>9,000</u>	<u>9,000</u>

21. OPERATING LEASE ARRANGEMENTS

	2017	2016
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the period	32	32
	<u>32</u>	<u>32</u>

At the statement of financial date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of plant and machinery which fall due as follows:

	£'000	£'000
Within one year	21	35
Between one and five years	32	21
	<u>53</u>	<u>56</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

22. NOTES TO THE CASH FLOW STATEMENT

	2017	2016
	£'000	£'000
Profit for the financial year	733	404
Adjustment for:		
Investment revenues	(81)	(93)
Income tax charge	105	164
Depreciation of property, plant and equipment	358	372
	<u>1,115</u>	<u>847</u>
Operating cash flows before movements in working capital		
Increase in receivables	(280)	(1,287)
Decrease in payables and provisions	(1,082)	(224)
Decrease in inventories	533	173
	<u>(829)</u>	<u>(491)</u>
Cash used in operations		
Net cash inflow/(outflow) from operating activities	<u>286</u>	<u>(491)</u>
Cash and cash equivalents		
	2017	2016
	£'000	£'000
Cash and bank balances	1,574	1,437
Cash deposits	1,150	1,300
	<u>2,724</u>	<u>2,737</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as shown above.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

23. CONTINGENT LIABILITIES

	2017 £'000	2016 £'000
Guarantees	300	300

As the company imports goods from outside the EU it holds a Duty Deferment account with HMRC. To facilitate this it is necessary to obtain a Bank Guarantee. The company operates such an agreement with Sumitomo Mitsui Banking Corporation to the value of £300,000 (2016: £300,000).

24. FINANCIAL RISK MANAGEMENT

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk management

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

25. FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

It is the policy of the company to enter into forward foreign exchange contracts to hedge against movements in the GBP against the Euro. The company sells goods in Euros but incurs domestic costs in GBP.

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

Outstanding contracts	Average exchange rate		Foreign currency		Notional value		Fair value	
	2017 €:£	2016 €:£	2017 €'000	2016 €'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Buy GBP Less than 6 months	1.2334	1.3690	1,150	750	932	549	(31)	(46)
Buy GBP Less than 9 months	1.1990	1.4260	1,000	1,500	834	1,052	(19)	(136)
Buy GBP Less than 12 months	1.1662	1.2750	500	1,000	429	784	2	(8)
							<u>(48)</u>	<u>(190)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

26. RELATED PARTY TRANSACTIONS

During the current year and the prior year, the company entered into the following transactions with related parties:

	2017 £'000	2016 £'000
Related party sales		
Toyota Motor Europe Manufacturing SA/NV	14,074	14,226

At 31 March 2017, the balance owed by Toyota Motor Europe Manufacturing SA/NV was £1,259,941 (2016: £1,296,000). This company is a subsidiary of Toyota Motor Corporation, which holds a minority stake in JTEKT Corporation, the company's immediate parent undertaking.

Trading transactions with group undertakings

During the year, group companies entered into the following transactions with associate companies:

	Services provided		Purchase of goods/services		Amounts owed by group undertakings		Amounts owed to group undertakings	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Koyo Bearings (Europe) Limited	1,000	2,000	-	-	14,000	13,000	-	-
Other associates	-	-	8,690	10,919	16	22	(651)	(1,243)
Total	1,000	2,000	8,690	10,919	14,016	13,022	(651)	(1,243)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

27. PENSIONS

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held in separate trustee-administered funds. Contributions made during the year amounted to £61,433 (2016: £61,949); there is no amount included in creditors in respect of unpaid contributions for either year.

28. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No events requiring disclosure occurred after the statement of financial position date in the current or prior year.

29. ULTIMATE PARENT AND CONTROLLING PARTY

The company's ultimate parent and controlling party is JTEKT Corporation, a company registered in Japan and listed on the Tokyo stock exchange.

The largest and smallest group for which group financial statements are prepared is that headed by JTEKT Corporation, whose place of business is at Postcode 542-8502, 5-8 Minamisemba 3-Chome Chuo-ku Osaka, Japan. Consolidated financial statements are available to the public and may be obtained from this address.