Zuken Limited

Annual report and financial statements

Registered number 00956340

31 March 2018

Contents

Strategic Report

Review of the business

The company's principal activity continues to be the development of computer systems and software for the automation of the electronics design process. The company trades exclusively with other subsidiary companies of the Zuken Inc group and so cannot attribute any movement in revenue or cost of sales to a particular business sector, only to a particular company or region.

Results and performance

The overall performance of the business did not meet with the directors' expectations. The results for the year, as set out on page 9, show a loss on ordinary activities before tax of £57,000 *(2017: profit of £455,000)*. The shareholders' deficit totals £7,223,000 *(2017: deficit of £7,261,000)*.

Revenues for the year of £8,007,000 are up by 4% compared to prior year *(2017: £7,681,000)*. This is due to an increase in royalties from Germany, France, USA and Switzerland.

The gross margin percentage is down by 2% to 52% (2017: 54%).

Strategy

Short term strategy remains the same. The company is continuing to work closely with our Japanese parent company to further improve the quality and functionality of our software. We are working on a seamless integration between the UK and Japanese products, on CR8000. We are working on other areas of opportunity with Zuken Japan on both product strategies and also in alternative markets such as the Far East and China. We also aim to improve efficiencies in all areas through maintaining cost control and effective project management.

Key Performance Indicators

Turnover is up against prior year whilst gross margin has decreased slightly due to product mix. The company saw an 11% increase in other operating expenses compared to prior year. This is primarily due to a reversal in exchange movements with prior year unrealised gains turning into losses. The net movement in exchange is £392,000. All other operating expenses remain in line with prior year.

Cash at bank and in hand is up to £2,085,000 *(2017: £1,883,000)*.

Amounts owed to/from group undertakings have both decreased. The amount owed by group undertakings has decreased due to an increase in receipts from Zuken USA, and as a result, payments continue to be able to be made to Japan to reduce the creditor balance further.

Principal risks and uncertainties

The process of risk management is addressed through a framework of policies, procedures and internal controls. The senior management team and finance department take on an important oversight role in this regard. Our parent company Zuken Inc. have their own internal audit committee who are responsible for satisfying itself that a proper internal control framework exists amongst their subsidiaries. A Sarbanes Oxley internal audit is carried out annually. This serves to identify and manage financial risks and ensure that controls operate effectively.

Three year business plans are updated annually to manage our capital requirements and ensure we have the financial strength to support the growth of the business.

As highlighted earlier we are exposed to a significant amount of foreign exchange risk from intercompany receivables. We have no control over the timing of payments of these related party transactions and therefore are unable to reduce this risk through hedging.

Strategic Report (continued)

The decision of the UK to leave the European Union and the prolonged uncertainty over exit terms combined with unfavourable exchange rate movements and a reduction in gilt yields could all have a negative impact on the deficit value of the Zuken Group defined benefit pension scheme which has the biggest impact on the financial statements.

As the company trades exclusively with affiliated companies in their local currencies, the majority of which are overseas, we do not believe Brexit will pose a risk to future revenues of the company. If anything, the devaluation of Sterling would have a favourable impact on the translation of overseas revenues.

The biggest uncertainty on the financial statements continues to be the volatility of the pension scheme. The liability at the year end was £3,817,000 (2017: 3,826,000). The Company completed an Enhanced Transfer Valuation during the year, this resulted in 12 members accepting the company's offer to transfer out their benefits. Whilst the results on an FRS102 basis were largely neutral the impact on the on-going and buy-out valuations both produced significant reductions in liabilities.

Future developments

We will continue to work with our parent company at reviewing the business and markets in order to maximise royalties and contain costs. We will continue to work on a strategy to reduce the volatility of the pension scheme building on the success of the Enhanced Transfer Valuation exercise with the ultimate aim to buy-out the scheme.

By order of the board

S Yukawa
Director

1500 Aztec West
Almondsbury
Bristol
BS32 4RF
22nd November 2018

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Future developments

Likely future developments in the business of the company are discussed in the Strategic Report.

Dividends

The overall performance of the business this year did not meet with directors' expectations and they do not recommend the payment of a dividend for the year *(2017: £nil)*.

Directors

The directors who served during the year and up to the date of approval of these financial statements were as follows:

J Katsube (Chairman)

K Kariya

S Yukawa

Financial instruments and risk management

As outlined under risks and uncertainties in the Strategic Report, the company has no hedging or financial derivatives in place. The company does not have any external financing requirements and retains a strong cash position.

Political contributions

The Company made no charitable donations or payments for political purposes in either the current or prior years.

Research and development activities

The Company's principal activity continues to be the development of computer systems and software for the automation of the electronics design process. Research and development costs are written off immediately to the profit and loss account.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

S Yukawa
Director

1500 Aztec West
Almondsbury
Bristol
BS32 4RF
22nd November 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Zuken Limited

Opinion

We have audited the financial statements of Zuken Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

Independent auditor's report to the members of Zuken Limited (continued.)

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Andrew Gordon

Andrew Gordon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
United Kingdom

13 December 2018

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2018

	Note	**2018** **£000**	2017 £000
Turnover	*2*	**8,007**	7,681
Cost of sales		**(3,853)**	(3,551)
Gross profit		**4,154**	4,130
Other operating expenses	*3*	**(4,143)**	(3,731)
Operating profit		**11**	399
Net Interest (payable)/receivable and similar charges	*7/8*	**(68)**	56
(Loss)/profit before taxation		**(57)**	455
Tax on (loss) /profit	*9*	**(16)**	(17)
(Loss)/profit for the financial year		**(73)**	438
Other comprehensive income			
Remeasurement of the net defined benefit liability		**111**	(3,843)
Tax on other comprehensive income		-	-
Other comprehensive income for the year, net of income tax		**111**	(3,843)
Total comprehensive income for the year		**38**	(3,405)

Balance Sheet
at 31 March 2018

	Note	**2018** **£000**	**£000**	2017 £000	£000
Fixed assets					
Tangible assets	*10*		**456**		480
Current assets					
Debtors	*11*	**2,680**		2,802	
Cash at bank and in hand		**2,085**		1,883	
		4,765		4,685	
Creditors: amounts falling due within one year	*12*	**(8,627)**		(8,600)	
Net current liabilities			**(3,862)**		(3,915)
Total assets less current liabilities			**(3,406)**		(3,435)
Provisions for liabilities					
Pensions and similar obligations	*14*		**(3,817)**		(3,826)
Net liabilities			**(7,223)**		(7,261)
Capital and reserves					
Called up share capital	*15*		**17,197**		17,197
Profit and loss account			**(24,420)**		(24,458)
Shareholders' deficit			**(7,223)**		(7,261)

The notes on pages 12 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 22nd November 2018 and were signed on its behalf by:

S Yukawa
Director

Company registered number: 00956340

Statement of Changes in Equity

For the year ending 31st March 2017

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2016	17,197	(21,053)	(3,856)
Total comprehensive income for the period			
Profit or loss	-	438	438
Remeasurement of net defined benefit liability	-	(3,843)	(3,843)
Total comprehensive income for the period	-	(3,405)	(3,405)
Balance at 31 March 2017	**17,197**	**(24,458)**	**(7,261)**

Statement of Changes in Equity

For the year ending 31st March 2018

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2017	17,197	(24,458)	(7,261)
Total comprehensive income for the period			
Profit or loss	-	(73)	(73)
Remeasurement of net defined benefit liability	-	111	111
Total comprehensive income for the period	-	38	38
Balance at 31 March 2018	**17,197**	**(24,420)**	**(7,223)**

Notes
(forming part of the financial statements)

1 Accounting policies

Zuken Limited (the "Company") is a company limited by shares and incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Zuken Inc includes the Company in its consolidated financial statements. The consolidated financial statements of Zuken Inc are available to the public and may be obtained from Zuken Inc. 2-25-1 Edahigashi Tsuzuki-ku, Yokohama 224, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Related party transactions

As the company is a wholly owned subsidiary of Zuken Inc., the company has taken advantage of the exemption contained in FRS 102, Section 33, Paragraph 1A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis.

1.4 Going concern

The directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The parent undertaking has confirmed its intention and ability to provide such financial support as may be necessary to enable the company to continue to operate as a going concern and to meet all its obligations as they fall due for 12 months from the date of approval of these financial statements and the parent company has communicated its intentions to do so formally. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.5 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes *(continued)*

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7 Tangible fixed assets

Tangible fixed assets are stated at historic cost, less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life, as follows:

Short term leasehold premises	-	over the lease term
Plant and machinery	-	5 years
Furniture, fixtures and motor vehicles	-	4-10 years

1.8 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

Notes *(continued)*

1.8 Employee benefits (continued)

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 Turnover

Turnover represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover from sale of goods is recognised at point of delivery. Turnover for rendering of services is recognised over the period in which the service is delivered.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges includes interest payable on net defined benefit liabilities. Other interest receivable and similar income includes interest receivable on funds invested and on net defined benefit plan assets.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

The turnover (all of which was conducted with group undertakings) and loss before taxation is attributable to the company's principal activities which are the development and support (maintenance) of computer systems and software for the automation of the electronics design process.

	2018	2017
	£000	£000
Sale of goods	**3,191**	3,268
Rendering of services	**4,816**	4,413
Total turnover	**8,007**	7,681

	2018	2017
	£000	£000
By geographical market		
Europe	**4,368**	3,855
Asia	**1,622**	1,814
USA	**1,231**	1,139
UK	**786**	873
	8,007	7,681

3 Expenses and auditors' remuneration

Included in profit/loss are the following:

	2018	2017
	£000	£000
Research and development costs	**3,587**	3,570
Restructuring costs	**-**	3
Loss on disposal of fixed assets	**23**	2
Foreign exchange losses/(gains)	**181**	(211)

	2018	2017
	£000	£000
Auditor's Remuneration		
Audit of these financial statements	**23**	25

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Support Services	**14**	13
Research and Development	**32**	34
Sales	**1**	1
Administration	**8**	8
	55	56

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**2,462**	2,439
Social security costs	**340**	322
Contributions to defined contribution plans (note 13)	**187**	183
Expenses related to defined benefit plans	**40**	38
	3,029	2,982

Notes *(continued)*

5 Directors' remuneration

Directors' remuneration has been borne by other group entities, however, the below disclosure reflects an estimate of the cost attributable based on the time spent by the directors on performing qualifying services for the Company.

	2018	2017
	£000	£000
Directors' remuneration	**43**	43

6 Key management personnel including directors' remuneration

Key management personnel compensation (including directors' remuneration) for the year ending 31 March 2018 was £498,000 (2017: £484,000).

7 Interest receivable and similar income

	2018	2017
	£000	£000
Net interest income on net defined benefit liabilities	-	55
Bank interest	**39**	1
	39	56

8 Interest payable and similar charges

	2018	2017
	£000	£000
Net interest expense on net defined benefit liabilities	**107**	-

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	2018	2017
	£000	£000
Current tax		
Current tax on income for the period	15	14
Adjustments in respect of prior periods	1	3
Total current tax	16	17
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax	16	17

Notes *(continued)*

9 Taxation *(continued)*

	2018			2017		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**16**	**-**	**16**	17	-	17
Recognised in other comprehensive income	**-**	**-**	**-**	-	-	-
Total tax	**16**	**-**	**16**	17	-	17

Analysis of current tax recognised in profit and loss

	2018	2017
	£000	£000
UK corporation tax	**15**	14
Adjustment in respect of prior year	**1**	3
Total current tax recognised in profit and loss	**16**	17

Reconciliation of effective tax rate

	2018	2017
	£000	£000
(Loss)/profit before tax	**(57)**	455
Tax on (loss)/profit at standard UK corporation tax rate of 19% *(2017: 20%)*	**(11)**	91
Effects of:		
Expenses not deductible for tax purposes	**(1)**	1
R & D withholding tax	**16**	17
Unprovided timing differences	**(141)**	20
Underprovided in prior years	**(1)**	(3)
Defined pension benefit deductions for which no deferred tax asset was recognised	**(383)**	(427)
Current year losses for which no deferred tax asset was recognised	**537**	318
Total tax included in profit or loss	**16**	17

No deferred tax asset has been recognised on the defined pension benefit timing differences or the current year losses due to uncertainty over the availability of future taxable profits.

Reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26th October 2015. The deferred tax asset at 31st March 2018 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge and any deferred tax accordingly.

Notes *(continued)*

10 Tangible fixed assets

	Short Term Leasehold Premises £000	Plant and Equipment £000	Fixtures & fittings £000	Total £000
Cost				
At 1 April 2017	747	1,291	475	2,513
Additions	13	81	22	116
Disposals	(70)	(661)	(305)	(1,036)
At 31 March 2018	690	711	192	1,593
Depreciation				
At 1 April 2017	432	1,143	458	2,033
Charge for the year	48	65	3	116
Disposals	(46)	(661)	(305)	(1,012)
At 31 March 2018	434	547	156	1,137
Net book value				
At 31 March 2018	**256**	**164**	**36**	**456**
At 31 March 2017	315	148	17	480

Notes *(continued)*

11 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	**133**	132
Amounts owed by group undertakings	**2,084**	2,298
VAT recoverable	**27**	24
Other debtors	**271**	245
Prepayments and accrued income	**165**	103
	2,680	2,802

12 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**136**	97
Amounts owed to group undertakings	**7,509**	7,606
Accruals and deferred income	**982**	897
	8,627	8,600

Included in amounts owed to group undertakings is £2,585,000 *(2017: £2,369,000)* in respect of deferred income from affiliated companies.

13 Deferred tax assets

The Company has unprovided deferred tax assets of £5,375,000 *(2017: £5,380,000)* which have not been recognised due to uncertainty over the availability of future taxable profits.

This unprovided deferred tax asset comprises:

	2017 £000	2017 £000
Unused tax losses	**3,764**	3,288
Other	**3**	-
Accelerated capital allowances	**596**	721
Pension	**1,012**	1,371
	5,375	5,380

Notes *(continued)*

14 Employee benefits

The company is a member of a larger group wide pension scheme which includes a defined contribution section and a defined benefit section.

The defined benefit section of the pension scheme was closed to future accrual with effect from 31 March 2007.

The latest full actuarial valuation was carried out at 31 March 2015 by a qualified independent actuary. The combined employer contributions for the year were £nil *(2017: £nil)*, of which 85% was from Zuken Limited and 15% from Zuken UK Limited. Contributions outstanding at the year end were £nil *(2017: £nil)*.

The group scheme had a deficit of £4,491,000 as at 31 March 2018 *(2017: £4,501,000)*.

The information disclosed below is in respect of the proportion of the plan for which Zuken Limited is legally responsible. 85% is attributable to Zuken Limited and 15% to Zuken UK Limited. This split is based on members' service dates.

Recognised pension liability

	2018 £000	**2017 £000**
Defined benefit obligation	**(32,263)**	(35,768)
Plan assets	**28,446**	31,942
Net pension liability	**(3,817)**	(3,826)

Notes *(continued)*

14 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2018	2017
	£000	£000
Balance b/fwd at 1 April	**(35,768)**	(29,122)
Interest expense	**(963)**	(1,075)
Changes to demographic assumptions	**68**	802
Changes to financial assumptions	**221**	(7,289)
Changes due to settlements	**325**	-
Benefits paid	**3,854**	916
Balance c/fwd at 31 March	**(32,263)**	(35,768)

Movements in fair value of plan assets

	2018	2017
	£000	£000
Balance b/fwd at 1 April	**31,942**	30,621
Interest income	**856**	1,131
Remeasurement: return on plan assets less interest income	**(178)**	1,144
Changes due to settlement cost	**(270)**	-
Benefits paid	**(3,854)**	(916)
Administration costs	**(50)**	(38)
Balance c/fwd at 31 March	**28,446**	31,942

Income/Expense recognised in the profit and loss account

	2018	2017
	£000	£000
Current service costs	**50**	38
Net interest on net defined benefit liability	**107**	(55)
Settlement costs	**(54)**	-
Total expense/(income) recognised in profit or loss	**103**	(17)

Notes *(continued)*

14 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	2018 **Fair value** **£000**	2017 Fair value £000
Equities	**6,355**	6,145
Government debt	**2,077**	2,074
Corporate bonds	**2,686**	2,664
Property	**1,129**	1,037
Other	**16,199**	20,022
	28,446	31,942
Actual return on plan assets (gain/ (loss))	**111**	(5,341)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018 **%**	2017 %
Discount rate	**2.70**	2.80
Inflation assumption (RPI)	**3.10**	3.40
Inflation assumption (CPI)	**2.10**	2.40

The last full actuarial valuation was performed as at 31 March 2015. As the defined benefit section is a closed scheme no changes were required for the employee numbers and salary level assumptions to measure the defined benefit obligation as at 31 March 18.

In valuing the liabilities of the pension fund at 31March 18 mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 87 years (male), 89 years (female).
- Future retiree currently aged 45: 88 years (male), 90 years (female).

GMP Impact

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Directors together with the scheme actuaries are reviewing the impact for the Zuken scheme but due to the profile of the scheme members they do not currently believe it will have a significant impact

Defined Contribution plans

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £187,000 *(2017: £183,000).*

Notes *(continued)*

15 Capital and reserves

Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
17,197,092 £1 ordinary shares	17,197	17,197

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£000	£000
Within one year	183	190
Between one and five years	659	664
After five years	155	310
	997	1,164

During the year £190,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £198,000).

17 Related party transactions

As the company is a wholly owned subsidiary of Zuken Inc., the company has taken advantage of the exemption contained in FRS 102, Section 33, Paragraph 1A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Zuken Group Limited. The ultimate controlling party is the parent company, Zuken Inc.

The largest and smallest group in which the results of the Company are consolidated is that headed by Zuken Inc, incorporated in Japan. The consolidated financial statements of this group is available to the public and may be obtained from Zuken Inc., 2-25-1 Edahigashi Tsuzuki-ku, Yokohama 224, Japan.

19 Accounting Estimates and Judgements.

Key sources of estimation uncertainty

Assumptions made in respect of the defined benefit plan have been based on estimates and judgements of a qualified actuary. Principal actuarial assumptions at the year end were in respect of discount rate, RPI and CPI; See note 13 for more detail.