

Tamura Hinchley Limited
Annual report
for the year ended 31 December 2003

Registered no: 463530



Tamura Hinchley Limited

Annual report

for the year ended 31 December 2003

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Directors and advisors

Executive directors

P J Cleary

S Fukuda (resigned 31/03/2003)

Non-executive directors

M Hayashi

M Hidaka (resigned 31/03/2003)

M Asada (appointed 01/06/2003)

T Kitamura (appointed 01/06/2003)

Secretary and registered office

A M Khan

Hopton Park Industrial Estate

London Road

Devizes

Wiltshire

SN10 2EY

Auditors

PricewaterhouseCoopers LLP

31 Great George Street

Bristol

BS1 5QD

Solicitors

Morris Goddard & Ward

28 St John's Street

Devizes

Wiltshire

Clifford Chance

200 Aldergate St

London

EC1A 4JJ

Principal bankers

Bank of Tokyo

12 - 15 Finsbury Circus

London

EC2M 7BT

Report of the directors for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The consolidated profit and loss account for the year is set out on page 5.

The principal activity of the group is the manufacture and sale of transformers and power. The group has a wholly owned subsidiary in Sweden and information offices in France and Germany.

Review of business and future developments

The level of business during the year has now stabilised at a turnover level around £16.5m. The restructuring of the business was completed in 2003 with a reduction in the cost base and therefore an improvement in operating loss from £3.9m to £1.4m.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year. (2002: £nil). The retained loss for the year of £1,969,673 (2002: £3,712,139) has been taken to reserves.

Directors

The directors of the company during the year to 31 December 2003 were:

P J Cleary
S Fukuda (resigned 31/03/2003)
M Hayashi
M Hidaka (resigned 31/03/2003)
M Asada (appointed 1/06/2003)
T Kitamura (appointed 1/06/2003)

Directors' interests in shares of the company

The directors of the company had no interest in the shares of the company at any time during the year ended 31 December 2003.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 9 to 10 to the financial statements.

Employee involvement

During 2003, the company continued the established pattern of communication and consultation with employees and their representatives. At appropriate times, the directors of the company hold joint meetings with managers, supervisors, and staff to review the overall state of the business.

Disabled persons

It is the company's policy that disabled persons (whether registered or not) shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 3 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board



A M Khan
Company Secretary
25 June 2004

Independent auditor's report to the members of Tamura Hinchley Limited

We have audited the financial statements which, comprise the consolidated profit and loss account, the statement of total recognized gains and losses, the balance sheets, the consolidated cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

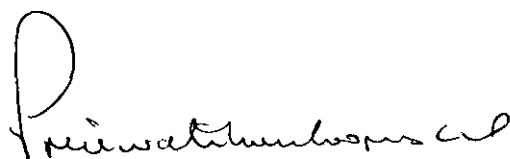
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 December 2003 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
25 June 2004

**Consolidated profit and loss account
for the year ended 31 December 2003**

	Notes	2003 £'000	2002 £'000
Turnover - continuing operations	2	16,538	16,385
Cost of sales - continuing operations		(15,398)	(17,662)
Gross profit/(loss)		1,140	(1,277)
Net operating expenses - continuing operations	3	(2,560)	(2,588)
Operating loss - continuing operations	4	(1,420)	(3,865)
Interest payable and similar charges	7	(261)	(197)
Profit on disposal of tangible fixed assets		61	-
Loss on ordinary activities before taxation		(1,620)	(4,062)
Taxation	8	(350)	350
Loss on ordinary activities after taxation and retained loss for the financial year	18	(1,970)	(3,712)

Statement of total recognised gains and losses

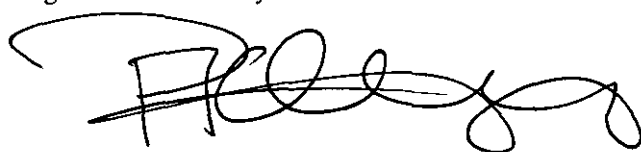
	2003 £'000	2002 £'000
Loss for the financial year	(1,970)	(3,712)
Currency translation differences on foreign currency net investments	(94)	3
Total gains and losses recognised since last annual report	(2,064)	(3,709)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Balance sheets at 31 December 2003

	Notes	Group		Company	
		2003	2002	2003	2002
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9	2,926	3,073	2,917	3,061
Investments	10	-	-	49	49
		2,926	3,073	2,966	3,110
Current assets					
Stocks	11	2,553	3,622	2,553	3,603
Debtors	12	3,012	3,936	3,103	4,038
Cash at bank and in hand		330	1,275	178	1,147
		5,895	8,833	5,834	8,788
Creditors: amounts falling due within one year	13	(10,191)	(11,212)	(8,623)	(10,107)
Net current (liabilities)		(4,296)	(2,379)	(2,789)	(1,319)
Total assets less current liabilities		(1,370)	694	177	1,791
Net (liabilities)/assets		(1,370)	694	177	1,791
Capital and reserves					
Called up share capital	17	7,094	7,094	7,094	7,094
Profit and loss account	18	(8,464)	(6,400)	(6,917)	(5,303)
Equity shareholders' (deficit) / funds	23	(1,370)	694	177	1,791

The financial statements on pages 5 to 22 were approved by the board of directors on 25 June 2004 and were signed on its behalf by:



P J Cleary
Director

**Consolidated cash flow statement
for the year ended 31 December 2003**

	Notes	2003 £'000	2002 £'000
Net cash outflow from operating activities	20	(28)	(1,891)
Returns on investments and servicing of finance			
Interest paid		(264)	(238)
Interest received		24	44
Net cash outflow from returns on investments and servicing of finance		(240)	(194)
Taxation			
UK corporation tax refund		-	559
		-	559
Capital expenditure			
Purchase of tangible fixed assets		(451)	(303)
Proceeds of disposals of fixed assets		110	375
		(341)	72
Equity Dividends			
Equity dividends paid		-	-
		-	-
Net cash outflow before management of liquid resources and financing		(609)	(1,454)
Financing			
Movement in net debt due within one year	21	(336)	3,698
Net cash (outflow) / inflow from financing	21	(336)	3,698
(Decrease) / Increase in cash in the year	21	(945)	2,224

Notes to the financial statements for the year ended 31 December 2003

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 December 2003. Intragroup sales and profits are eliminated fully on consolidation.

Foreign currencies

Assets, liabilities and the results of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and are reported in the statement of total recognised gains and losses. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected fixed useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Other plant (including furniture and fittings)	10% - 20%
Computers	20% - 33%
Tooling	10%
Freehold Buildings	4%

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes material, direct labour and all overheads appropriate to the relevant stage of production. Net realisable value represents the estimated amount at which stocks and work in progress will be realised after taking into account all relevant marketing, selling and distribution costs.

Deferred taxation

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Pension contributions

The company operates a defined benefit pension scheme which is contracted out of the state scheme. Pension costs are accounted for on the basis of charging in each accounting period the regular cost, ie. the consistent ongoing cost of providing pensions over the period during which the company benefits from the employees' services, adjusted for any variations in cost arising from the experience of the scheme. The effects of variations from the regular cost are spread over the expected remaining working lifetime of members of the scheme.

Adoption of new accounting standards

The Accounting Standards Board has recommended deferral of the final implementation of FRS 17 "Post retirement benefits", which deals with accounting for post retirement benefits beyond its original effective date of June 2003, pending detailed comparison with the compliance with International Accounting Standard, IAS 19. However, additional disclosures are required for the current year, see note 16.

2 Turnover

The geographical analysis of turnover is as follows:

	2003	2002
	£'000	£'000
United Kingdom	4,025	5,289
European Union	11,297	10,779
USA	363	15
Rest of the world	853	302
	16,538	16,385

3 Net operating expenses

Operating expenses are made up as follows:

	2003	2002
	£'000	£'000
Distribution and selling costs	1,714	1,310
Administration expenses	846	1,278
	2,560	2,588

4 Operating (Loss)

Operating (Loss) is stated after charging the following:

	2003	2002
	£'000	£'000
Amortisation of Intangible Fixed Assets		-
Depreciation charge for the year		
Tangible fixed assets		
- owned	520	754
Auditors' remuneration for:		
- Audit (company £30,250; 2002: £29,500)	34	32
- Other services to the group	29	30
Operating lease rentals		
- Land and buildings	105	144
- Plant and machinery	75	106
Loss on disposal of fixed assets	29	3

5 Directors' emoluments

The remuneration paid to the directors of Tamura Hinchley Limited was as follows:

	2003	2002
	£	£
Aggregate emoluments	90,508	85,991

Retirement benefits are accruing to one director (2002 : one) under the group's defined benefit scheme.

Emoluments payable to the highest paid director:

	2003	2002
	£	£
Emoluments	80,703	72,682
Accrued Pension	21,092	19,920

6 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	2003	2002
	Number	Number
Production	13	105
Distribution and selling	23	24
Administration	19	24
	55	153

	2003	2002
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,860	2,884
Social security costs	264	366
Other pension costs	318	190
	2,442	3,440

7 Interest payable and similar charges

	2003	2002
	£'000	£'000
Net interest:		
Interest payable on bank loans and overdrafts	285	241
Bank interest receivable	(24)	(44)
	261	197

8 Taxation

a) Analysis of charge in the year

	2003	2002
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustment in respect of prior years	-	-
Total current tax credit	-	-
Deferred tax:-		
Current year	350	(350)
Total deferred tax charge/(credit)	350	(350)
Tax (credit)/charge on profit on ordinary activities	350	(350)

b) Factors affecting tax charge for year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2003	2002
	£'000	£'000
Loss on ordinary activities before taxation	(1,620)	(4,062)
Tax charge on profit on ordinary activities at standard UK corporation tax rate of 30%	(486)	(1,218)
Effects of:		
Expenses not deductible for tax purposes	17	5
Accelerated capital allowances / other timing differences	-	(61)
Utilisation of losses	-	411
UK losses not recognised	362	529
Overseas losses not recognised	107	334
Adjustments to tax charge in respect of prior years	-	-
Current tax for the year	-	-

9 Tangible fixed assets

Group	Freehold land and buildings	Plant and machinery	Furniture, fixtures, tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2003	2,178	6,486	1,972	10,636
Additions	-	408	43	451
Disposals	(49)	(72)	-	(121)
At 31 December 2003	2,129	6,822	2,015	10,966
Depreciation				
At 1 January 2003	593	5,538	1,432	7,563
Charge for year	113	227	180	520
Disposals	(16)	(27)	-	(43)
At 31 December 2003	690	5,738	1,612	8,040
Net book value				
At 31 December 2003	1,439	1,084	403	2,926
Net book value				
At 31 December 2002	1,585	948	540	3,073

9 Tangible fixed assets (continued)

Company	Freehold land and buildings	Plant and machinery	Furniture, fixtures, tools and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2003	2,178	6,304	1,651	10,133
Additions	-	408	37	445
Disposals	(49)	(72)	-	(121)
At 31 December 2003	2,129	6,640	1,688	10,457
Depreciation				
At 1 January 2003	593	5,378	1,101	7,072
Charge for year	113	227	171	511
Disposals	(16)	(27)	-	(43)
At 31 December 2003	690	5,578	1,272	7,540
Net book value				
At 31 December 2003	1,439	1,062	416	2,917
At 31 December 2002	1,585	926	550	3,061

10 Fixed asset investments

Interests in group undertakings

The financial statements include the results and financial position of Tamura Sweden AB, a wholly owned company incorporated in Sweden. The principal activity of the company is the manufacture and sale of ferrites and transformers.

The cost and net book value of the investment in the subsidiary in the company's accounts at 31 December 2003 is £48,580 (2002 : £48,580).

11 Stocks

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Raw materials and consumables	1,344	1,479	1,344	1,479
Work in progress	105	358	105	358
Finished goods and goods for resale	1,104	1,785	1,104	1,766
	2,553	3,622	2,553	3,603

12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	2,081	1,647	1,830	1,353
Amounts due by group undertakings	557	1,097	920	1,554
Other debtors	289	1,042	288	1,041
Prepayments and accrued income	85	150	65	90
	3,012	3,936	3,103	4,038

Included within other debtors is £Nil (2002: £350k) in respect of deferred taxation assets, see note 15.

13 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	3,750	5,639	3,750	4,926
Amounts due to group undertakings	3,581	3,170	2,339	3,269
Trade creditors	458	900	437	830
Other taxation and social security	99	109	59	62
Accruals and deferred income	2,303	1,394	2,038	1,020
	10,191	11,212	8,623	10,107

The bank loans and overdrafts are unsecured.

14 Creditors: amounts falling due within one year (continued)

Loans

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans repayable as follows:				
In one year or less	3,750	5,639	3,750	4,926
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
	3,750	5,639	3,750	4,926
Loans from group undertakings:				
In one year or less	1,553	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
	1,553	-	-	-
	5,303	5,639	3,750	4,926

15 Deferred taxation

Analysis of deferred tax asset

	2003	2002
	£'000	£'000
Tax effect of timing differences because of:		
Short term timing differences	-	5
Accelerated capital allowances	-	(66)
Losses	-	411
	-	350

The movement in the deferred tax asset is as follows:

	2003	2002
	£'000	£'000
At 1 January 2003	350	-
(Charge)/credit to profit and loss account	(350)	350
At 31 December 2003	-	350

Provision is made for deferred taxation on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not, as at 31 December 2003 there is £1,445k of unprovided deferred taxation asset in the UK (2002: £708k).

16 Pensions

The company's principal pension arrangements are provided through the Tamura Hinchley Pension scheme, which is a defined benefit scheme to which eligible employees contribute, and whose assets are held in separate trustee administered funds. The contributions are determined by a professionally qualified independent actuary on the basis of triennial valuations using the projected unit method. The last actuarial assessment of the Scheme was on 1 January 2003.

The total pension cost for the company was £235,576 (2002 : £306,605). The most recent actuarial valuation showed that the market value of the scheme's assets was £2,836,288 and that the actuarial value based on MFR of those assets represented 75.2% of the benefits that had accrued to members after allowing for expected future increases in earnings. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 5.3% per annum and that salary growth would be 2.75% and that present and future pensions would increase at the rate of 2.75% per annum. The contribution of the company and employees are 7.7% and 5% of pensionable earnings respectively.

FRS 17 Disclosure

The disclosures below are provided in accordance with the transitional requirements of FRS 17.

The company participates in a defined benefit plan: the Tamura Hinchley Limited Pension Scheme.

The last full independent actuarial valuation of each Plan was undertaken as at 1 January 2003. The results of the valuations have been updated to reflect current conditions at 31 December 2003 in accordance with FRS 17.

Tamura Hinchley Limited's contributions to the Plan for the year ended 31 December 2003 totalled £235,576. In accordance with the agreed Schedule of Contributions, Tamura Hinchley Limited is now required to contribute to the scheme at the rate of 7.7% of Pensionable Salaries a year until March 2007 plus:

£18,200 each month from January 2002 to March 2003 inclusive and

£12,800 each month from April 2003 to October 2003.

£11,800 each month from November 2003 to March 2006.

This is subject to review at the next formal actuarial valuations due as at 1 January 2006.

Tamura Hinchley Limited employees paid a total of £47,710, including £50 of AVCs into the Plan over the year. They are required to contribute at the rate of 5% of Pensionable Salaries.

The valuation used for FRS 17 disclosures has been based on the membership of the Scheme as at 1 January 2003, rolled forward on an approximate basis to take account of subsequent membership movements to the end of 2003. The principal assumptions used by the actuary for this purpose are set out below:

	2003	2002
Rate of increase in pensionable salaries	2.75%	2.25%
Rate of increase in pensions in payment	2.75%	2.25%
Discount rate	5.3%	5.8%
Inflation assumption	2.75%	2.25%

16 Pensions (continued)

The assets in the Scheme and the expected rates of return (net of administrative expenses) were:

	2003		2002	
	Return	£'000	Return	£'000
Equities	7.00%	2,968	7.00%	2,269
Bonds	4.00%	375	4.00%	414
Other	5.00%	183	7.00%	183
	6.58%	3,526	6.25%	2,866
Total market value of assets		3,526		2,866
Actuarial value of liability		(5,326)		(4,922)
Deficit in the scheme		(1,800)		(2,056)
Related deferred tax asset		540		617
Net pension liability		(1,260)		(1,439)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2003 and 31 December 2002 would be as follows:-

	2003	2002
	£'000	£'000
Net (liabilities)/assets as presented	(1,370)	694
FRS 17 retirement benefit net liability	(1,260)	(1,439)
Net liabilities including FRS 17 retirement benefits net liability	(2,630)	(745)
Profit and loss reserve as presented	(8,464)	(6,400)
FRS 17 retirement benefit net liability	(1,260)	(1,439)
Profit and loss reserve including FRS 17 retirement benefit liability	(9,724)	(7,839)

16 Pensions (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17.

	2003 £'000	2002 £'000
Analysis of the amount charged to operating profit		
Current service cost	57	131
Total operating charge	57	131
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	192	245
Interest on pension scheme liabilities	(285)	(297)
Net (expense)	(93)	(52)
Analysis of amount recognised on statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	371	(1,029)
Experience gains / (losses) arising on the scheme liabilities	545	(112)
Changes in assumptions underlying the present value of the scheme liabilities	(744)	220
Actuarial profit/(loss) recognised in STRGL	172	(921)
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(2,056)	(1,316)
Movement in year:		
Current service cost	(57)	(131)
Contributions	234	364
Other finance expense	(93)	(52)
Actuarial gain/(loss)	172	(921)
Deficit in scheme at end of the year	(1,800)	(2,056)

	2003 £'000	2002 £'000
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	371	(1,029)
Percentage of scheme assets	10.5%	-35.9%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	545	(112)
Percentage of scheme assets	10.2%	-2.3%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	172	(921)
Percentage of scheme assets	3.2%	-18.7%

17 Called-up share capital

	2003	2002
	£'000	£'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
7,093,750 ordinary shares of £1 each	7,094	7,094

All shares have equal voting rights, equal priority on winding up and equal rights to dividends.

18 Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 2003	(6,400)	(5,303)
Exchange differences	(94)	-
Retained (loss) for the year	(1,970)	(1,614)
At 31 December 2003	(8,464)	(6,917)

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements and its loss for its financial year amounted to £1,614,000 (2002 : £2,625,000).

19 Financial commitments

At 31 December 2003 the group and company had annual commitments under non-cancellable operating leases as follows:

Group	2003		2002	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	26	65	81	76
Expiring between two and five years inclusive	-	32	-	70
	26	97	81	146

19 Financial commitments (continued)

Company	2003		2002	
	Land and Buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry within one year	15	47	16	65
Expiring between two and five years inclusive	-	28	-	65
	15	75	16	130

20 Reconciliation of operating loss to net cash outflow from operating activities

	2003 £'000	2002 £'000
Operating (loss)	(1,420)	(3,865)
Depreciation on tangible fixed assets	520	754
Goodwill amortised	-	-
Loss on disposal of fixed assets	29	3
Decrease in stocks	1,069	1,242
Decrease in debtors	480	2,509
(Decrease) in creditors	(706)	(2,534)
Net cash outflow from operating activities	(28)	(1,891)

21 Reconciliation of net cash flow to movement in net debt

	2003		2002	
	£'000	£'000	£'000	£'000
(Decrease / Increase in cash in the year	(945)		2,244	
Cash outflow / (inflow) from decrease / (increase) in debt and lease financing	336		(3,698)	
Change in net debt resulting from cash flows		(609)		(1,454)
Other non-cash items:				
New finance leases		-		-
Movement in net debt in the year		(609)		(1,454)
Net debt at 1 January 2003		(4,364)		(2,910)
Net debt at 31 December 2003		(4,973)		(4,364)

22 Analysis of net debt

	At 1 January 2003 £'000	Cash Flow £'000	At 31 December 2003 £'000
Cash in hand, at bank	1,275	(945)	330
Bank overdraft	-	-	-
	1,275	(945)	330
Debt due within 1 year	(5,639)	336	(5,303)
	(5,639)	336	(5,303)
Total	(4,364)	(609)	(4,973)

23 Reconciliation of movements in shareholders' (deficit) / funds

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(Loss) for the financial year	(1,970)	(3,712)	(1,614)	(2,625)
Exchange difference	(94)	3	-	-
Opening shareholders' funds	694	4,403	1,791	4,416
Closing shareholders' (deficit) / funds	(1,370)	694	177	1,791

24 Related party transactions

The company has taken advantage of the exemptions available to it in paragraph 17 of Financial Reporting Standard 8 'Related party disclosures', not to disclose any transactions or balances with entities that are part of the Group or investees of the Group qualifying as related parties.

Included within other debtors is an amount of £4,400 owed to the company by P Cleary, a director. The maximum amount outstanding during the year was £5,000.

25 Ultimate parent company

The directors regard Tamura Corporation, a company incorporated in Japan, as the ultimate parent company. According to the register kept by the company, Tamura Corporation had a 100% interest in the equity capital of Tamura Hinchley Limited at 31 December 2003.

Copies of the parent's consolidated financial statements may be obtained from the secretary.

26 Post balance sheet events

A loan agreement is in place between Tamura Hinchley Limited and Tamura Corporation Japan, which was taken out on 5 January 2004 for £3,200,000. The maturity date is 5 July 2007 and it is interest free.

**Profit and loss account
for the year ended 31 December 2003**

	2003	2002
	£'000	£'000
Turnover	16,353	16,089
Cost of sales	(15,133)	(16,736)
Gross profit	1,220	(647)
Net operating expenses	(2,323)	(2,173)
Operating (loss)	(1,103)	(2,820)
Interest payable and similar charge	(222)	(155)
(Loss) on ordinary activities before taxation	(1,325)	(2,975)
Other financial income	61	-
(Loss) before tax	(1,264)	(2,975)
Taxation	(350)	350
(Loss) on ordinary activities after taxation	(1,614)	(2,625)
Dividends	-	-
Retained (loss) for the year	(1,614)	(2,625)

This page does not form part of the audited financial statements.