

Tamura Europe Limited  
Annual report  
for the year ended 31 December 2005

Registered no: 463530



# Tamura Europe Limited

## Annual report

for the year ended 31 December 2005

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# **Tamura Europe Limited**

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## **Directors and advisors**

### **Executive directors**

P J Cleary

### **Non-executive directors**

M Asada

T Kitamura

Y Nakashima

A Fujiyama

### **Secretary and registered office**

S Cursley

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

**Directors' report  
for the year ended 31 December 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005.

**Principal activities**

The 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 supplies. The group had a wholly owned subsidiary in Sweden, which has reverted to a branch in the year, and information offices in France. The company has also set up branch operations in the Czech Republic.

**Review of business and future developments**

The level of business during the year has now stabilised at a turnover level around £19.7m. There has been an improvement in operating loss from £(1,015,000) to £(429,000), and exceptional profits of £1,600,000.

**Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The company enters into foreign currency forward contracts to manage the foreign currency profile and risk.

*Price risk*

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

*Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is reassessed on a regular basis by the board.

*Liquidity risk*

The company has guarantees from its parent company to ensure the company has sufficient available funds for operations.

*Interest rate and cash flow risks*

The company has interest bearing asset, which is cash balances. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

**Dividends and transfers to reserves**

The directors do not recommend the payment of a dividend in respect of the year. (2004: £nil). The retained profit for the year of £1,154,000 (2004: £1,199,000) has been taken to reserves.

## Directors

The directors of the company during the year to 31 December 2005 were:

P J Cleary  
M Hayashi (Resigned 29/06/05)  
M Asada  
T Kitamura  
Y Nakashima (Appointed 30/12/05)  
A Fujiyama

## 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 2005.

## Changes in fixed assets

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

## Employee involvement

During 2005, 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 2005. 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

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

S Cursley  
Company Secretary

28 July 2006

# Independent auditor's report to the members of Tamura Europe Limited

We have audited the financial statements of Tamura Europe Limited which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standard on Auditing (UK and Ireland). 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 whether it is consistent with the audited financial statements. The other information comprises only directors report. We 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

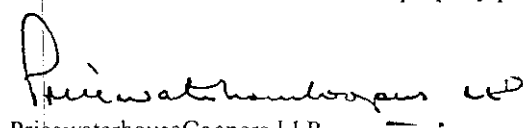
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 statement gives a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2005 ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol

29/17/2006

**Profit and loss account  
for the year ended 31 December 2005**

|                                                                                                           | Notes | 2005<br>£'000 | 2004<br>As restated<br>£'000 |
|-----------------------------------------------------------------------------------------------------------|-------|---------------|------------------------------|
| <b>Turnover - continuing operations</b>                                                                   | 2     | 19,652        | 16,246                       |
| Cost of sales - continuing operations                                                                     |       | (17,872)      | (15,139)                     |
| <b>Gross profit</b>                                                                                       |       | 1,780         | 1,107                        |
| Net operating expenses - continuing operations                                                            | 3     | (2,209)       | (2,122)                      |
| <b>Operating loss - continuing operations</b>                                                             | 4     | (429)         | (1,015)                      |
| Profit on disposals                                                                                       |       | -             | 742                          |
| Gain on repurchase of debt                                                                                | 5     | 1,600         | 1,600                        |
| Interest payable and similar charges                                                                      | 8     | (17)          | (128)                        |
| <b>Profit / (loss) on ordinary activities before taxation</b>                                             |       | 1,154         | 1,199                        |
| Taxation                                                                                                  | 9     | -             | -                            |
| <b>Profit / (loss) on ordinary activities after taxation<br/>and retained loss for the financial year</b> | 18    | 1,154         | 1,199                        |

**Statement of total recognised gains and losses**

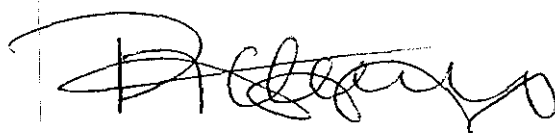
|                                                                   | 2005<br>£'000  | 2004<br>As restated<br>£'000 |
|-------------------------------------------------------------------|----------------|------------------------------|
| Profit for the financial year                                     | 1,154          | 1,199                        |
| Actuarial (loss)/ gain on pension scheme                          | (1,342)        | 31                           |
| Total recognised gains and losses relating to the year            | (188)          | 1,230                        |
| Prior year adjustment - FRS 17                                    | (1,677)        |                              |
| <b>Total gains and losses recognised since last annual report</b> | <b>(1,865)</b> |                              |

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

**Balance sheet at 31 December 2005**

|                                                                | Notes | 2005<br>£'000 | 2004<br>As restated<br>£'000 |
|----------------------------------------------------------------|-------|---------------|------------------------------|
| <b>Fixed assets</b>                                            |       |               |                              |
| Tangible assets                                                | 10    | 789           | 1,080                        |
|                                                                |       | 789           | 1,080                        |
| <b>Current assets</b>                                          |       |               |                              |
| Stocks                                                         | 11    | 3,100         | 2,781                        |
| Debtors                                                        | 12    | 3,802         | 2,743                        |
| Cash at bank and in hand                                       |       | 1,208         | 797                          |
|                                                                |       | 8,110         | 6,321                        |
| <b>Creditors: amounts falling due within one year</b>          | 13    | (6,571)       | (4,517)                      |
| <b>Net current assets</b>                                      |       | 1,539         | 1,804                        |
| <b>Total assets less current liabilities</b>                   |       | 2,328         | 2,884                        |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | (2,909)       | (3,277)                      |
| <b>Net liabilities</b>                                         |       | (581)         | (393)                        |
| <b>Capital and reserves</b>                                    |       |               |                              |
| Called up share capital                                        | 17    | 7,094         | 7,094                        |
| Profit and loss account                                        | 18    | (7,675)       | (7,487)                      |
| <b>Equity shareholders' deficit</b>                            |       | (581)         | (393)                        |

The financial statements on pages 5 to 22 were approved by the board of directors on 28 July 2006 and were signed on its behalf by:



P J Cleary  
Director

**Consolidated cash flow statement  
for the year ended 31 December 2005**

|                                                                              | Notes | 2005<br>£'000 | 2004<br>£'000 |
|------------------------------------------------------------------------------|-------|---------------|---------------|
| <b>Net cash inflow/ (outflow) from operating activities</b>                  | 20    | 408           | (884)         |
| <b>Returns on investments and servicing of finance</b>                       |       |               |               |
| Interest paid                                                                |       | (7)           | (90)          |
| Interest received                                                            |       | 22            | 18            |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |       | 15            | (72)          |
| <b>Taxation</b>                                                              |       |               |               |
| UK corporation tax                                                           |       | -             | -             |
|                                                                              |       | -             | -             |
| <b>Capital expenditure</b>                                                   |       |               |               |
| Purchase of tangible fixed assets                                            |       | (12)          | (70)          |
| Net proceeds of disposals of fixed assets                                    |       | -             | 2,195         |
|                                                                              |       | (12)          | 2,125         |
| <b>Equity Dividends</b>                                                      |       |               |               |
| Equity dividends paid                                                        |       | -             | -             |
|                                                                              |       | -             | -             |
| <b>Net cash inflow before management of liquid resources and financing</b>   |       | 411           | 1,169         |
| <b>Financing</b>                                                             |       |               |               |
| Movement in net debt due over one year                                       | 22    | -             | 3,200         |
| <b>Net cash inflow from financing</b>                                        | 22    | -             | 3,200         |
| <b>Increase in cash in the year</b>                                          | 22    | 411           | 4,369         |

## **Notes to the financial statements for the year ended 31 December 2005**

### **1 Principal accounting policies**

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards. A summary of more important accounting policies, which have been applied consistently with the exception of FRS 17 – Retirement benefits, is set out below.

#### **Basis of accounting**

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

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. 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%       |

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

#### **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.

**Change in accounting policy – 'Retirement benefits'**

The company has adopted FRS 17, 'Retirement benefits', in these financial statements. The adoption of these standards represents a change in accounting policy.

The company operates a defined benefit pension scheme which is contracted out of the state scheme. In prior years, pension costs are accounted for on the basis of charging in each accounting period the regular cost, ie. the consistent ongoing cost of providing pension 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.

Upon the adoption of FRS 17, the difference between the present value of the defined benefit obligation at the balance sheet date less the fair value of pension assets is accounted for as defined benefit pension plan liability. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions of the defined benefit obligation are recognised in the Statement of total recognised gains and losses immediately. Service costs, past service costs and interest costs are recognised immediately in the profit and loss account.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

The effect of the change in accounting policy to adopt FRS 17 was to decrease staff costs by £142,000 (2004: £148,000), and increase in other finance charges by £32,000 (2004: £56,000) respectively to increase profit for the year by £110,000 (2004: £91,000) and to increase the total recognised losses by £1,342,000 (2004: increase the total recognised gains by £31,000).

## 2 Turnover

The geographical analysis of turnover is as follows:

|                   | 2005   | 2004   |
|-------------------|--------|--------|
|                   | £'000  | £'000  |
| United Kingdom    | 1,249  | 1,841  |
| European Union    | 15,515 | 12,940 |
| USA               | 563    | 515    |
| Rest of the world | 2,325  | 950    |
|                   | 19,652 | 16,246 |

### **3 Net operating expenses**

Operating expenses are made up as follows:

|                                | 2005         | 2004         |
|--------------------------------|--------------|--------------|
|                                | £'000        | £'000        |
| Distribution and selling costs | 1,111        | 1,234        |
| Administration expenses        | 1,098        | 888          |
|                                | <b>2,209</b> | <b>2,122</b> |

### **4 Operating Loss**

Operating Loss is stated after charging the following:

|                                  | 2005  | 2004  |
|----------------------------------|-------|-------|
|                                  | £'000 | £'000 |
| Depreciation charge for the year |       |       |
| Tangible fixed assets            |       |       |
| - owned                          | 295   | 452   |
| Auditors' remuneration for:      |       |       |
| - Audit service                  | 33    | 30    |
| - Non-audit service              | 10    | 3     |
| Operating lease rentals          |       |       |
| - Land and buildings             | 147   | 123   |
| - Plant and machinery            | 84    | 83    |
| Loss on disposal of fixed assets | 8     | 3     |

### **5 Gain on repurchase of debt**

During the year the parent company, Tamura Corporation, forgave loans of £1,600,000 with Tamura Europe Limited.

## 6 Directors' emoluments

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

|                      | 2005   | 2004   |
|----------------------|--------|--------|
|                      | £      | £      |
| Aggregate emoluments | 81,372 | 93,549 |

Retirement benefits are accruing to one director (2004: one) under the company's defined benefit scheme.

Emoluments payable to the highest paid director:

|                 | 2005   | 2004   |
|-----------------|--------|--------|
|                 | £      | £      |
| Emoluments      | 81,372 | 93,549 |
| Accrued Pension | 22,254 | 24,774 |

## 7 Employee information

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

|                          | 2005   | 2004   |
|--------------------------|--------|--------|
|                          | Number | Number |
| Production               | 104    | 16     |
| Distribution and selling | 15     | 20     |
| Administration           | 12     | 10     |
|                          | 131    | 46     |

|                                            | 2005  | 2004  |
|--------------------------------------------|-------|-------|
|                                            | £'000 | £'000 |
| <b>Staff costs (for the above persons)</b> |       |       |
| Wages and salaries                         | 1,268 | 1,560 |
| Social security costs                      | 203   | 205   |
| Other pension costs                        | 110   | 146   |
|                                            | 1,581 | 1,911 |

## 8 Interest payable and similar charges

|                                               | 2005  | 2004  |
|-----------------------------------------------|-------|-------|
|                                               | £'000 | £'000 |
| Net interest:                                 |       |       |
| Interest payable on bank loans and overdrafts | 7     | 90    |
| Bank interest receivable                      | (22)  | (18)  |
| Other finance charges                         | 32    | 56    |
|                                               | 17    | 128   |

## 9 Taxation

### a) Analysis of charge in the year

|                                                    | 2005  | 2004  |
|----------------------------------------------------|-------|-------|
|                                                    | £'000 | £'000 |
| <b>Current tax:</b>                                |       |       |
| UK corporation tax on profits of the year          | -     | -     |
| Adjustment in respect of prior years               | -     | -     |
| <b>Total current tax credit</b>                    | -     | -     |
| <b>Deferred tax:-</b>                              |       |       |
| Current year                                       | -     | -     |
| <b>Total deferred tax charge</b>                   | -     | -     |
| <b>Tax charge on profit on ordinary activities</b> | -     | -     |

### 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:

|                                                                                               | 2005  | 2004  |
|-----------------------------------------------------------------------------------------------|-------|-------|
|                                                                                               | £'000 | £'000 |
| Profit on ordinary activities before taxation                                                 | 1,154 | 1,199 |
| Tax charge on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% | 346   | 360   |
| Effects of:                                                                                   |       |       |
| Expenses not deductible for tax purposes                                                      | 4     | -     |
| Accelerated capital allowances / other timing differences                                     | 130   | 208   |
| Non taxable income                                                                            | (480) | (486) |
| Non qualifying profit on property disposal                                                    | -     | (82)  |
| <b>Current tax for the year</b>                                                               | -     | -     |

# 10 Tangible fixed assets

|                            | Plant<br>and<br>machinery<br>£'000 | Furniture,<br>fixtures,<br>tools and<br>equipment<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------------------|------------------------------------------------------------|----------------|
| <b>Cost</b>                |                                    |                                                            |                |
| At 1 January 2005          | 6,671                              | 1,267                                                      | 7,938          |
| Additions                  | -                                  | 12                                                         | 12             |
| Disposals                  | (2,540)                            | (398)                                                      | (2,938)        |
| <b>At 31 December 2005</b> | <b>4,131</b>                       | <b>881</b>                                                 | <b>5,012</b>   |
| <b>Depreciation</b>        |                                    |                                                            |                |
| At 1 January 2005          | 5,794                              | 1,064                                                      | 6,858          |
| Charge for year            | 182                                | 113                                                        | 295            |
| Disposals                  | (2,532)                            | (398)                                                      | (2,930)        |
| <b>At 31 December 2005</b> | <b>3,444</b>                       | <b>779</b>                                                 | <b>4,223</b>   |
| <b>Net book value</b>      |                                    |                                                            |                |
| <b>At 31 December 2005</b> | <b>687</b>                         | <b>102</b>                                                 | <b>789</b>     |
| At 31 December 2004        | 877                                | 203                                                        | 1,080          |

# 11 Stocks

|                                     | 2005<br>£'000 | 2004<br>£'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 1,935         | 1,396         |
| Work in progress                    | 86            | 90            |
| Finished goods and goods for resale | 1,079         | 1,295         |
|                                     | <b>3,100</b>  | <b>2,781</b>  |

**12 Debtors**

|                                            | 2005         | 2004         |
|--------------------------------------------|--------------|--------------|
|                                            | £'000        | £'000        |
| <b>Amounts falling due within one year</b> |              |              |
| Trade debtors                              | 3,392        | 2,038        |
| Amounts due by group undertakings          | 221          | 665          |
| Other debtors                              | 14           | 6            |
| Other taxation and social security         | 141          | -            |
| Prepayments and accrued income             | 34           | 34           |
|                                            | <b>3,802</b> | <b>2,743</b> |

**13 Creditors: amounts falling due within one year**

|                                    | 2005         | 2004         |
|------------------------------------|--------------|--------------|
|                                    | £'000        | £'000        |
| Amounts due to group undertakings  | 4,330        | 2,057        |
| Trade creditors                    | 565          | 433          |
| Other taxation and social security | 64           | 53           |
| Accruals and deferred income       | 1,612        | 1,974        |
|                                    | <b>6,571</b> | <b>4,517</b> |

**14 Creditors: amounts falling after more than one year**

|                                            | 2005         | 2004         |
|--------------------------------------------|--------------|--------------|
|                                            | £'000        | £'000        |
| Amounts due to group undertakings (note 5) | -            | 1,600        |
| Pension liabilities (note 16)              | 2,909        | 1,677        |
|                                            | <b>2,909</b> | <b>3,277</b> |

## 15 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. As at 31 December 2005, the unprovided deferred taxation assets are as follows:

|                                                                        | 2005  | 2004        |
|------------------------------------------------------------------------|-------|-------------|
|                                                                        |       | As restated |
|                                                                        | £'000 | £'000       |
| Accelerated capital allowance                                          | (84)  | (58)        |
| Other timing differences                                               | 65    | 16          |
| Tax losses                                                             | 1,748 | 1,707       |
| Unprovided deferred tax excluding that relating to pension liabilities | 1,729 | 1,665       |
| Pension liabilities                                                    | 873   | 503         |
|                                                                        | 2,602 | 2,168       |

## 16 Pensions

### Defined contribution scheme

The company paid contributions to publicly or privately administered pension insurance plans. During the year, the cost of contribution plan was £36,000 (2004: £133,000). As at the year end, there was no contribution payable to the defined contribution scheme.

### Defined benefit scheme

The company operates a defined benefit pension scheme with assets held in a separately administered fund.

An actuarial valuation of the Tamura Europe Limited Pension Scheme was carried out using the projected unit credit method at 1st January 2006 by New Bridge Street Consultants LLP, qualified independent actuary. The major assumptions used by the actuary were:

|                                          | 2005 | 2004  | 2003  |
|------------------------------------------|------|-------|-------|
| Rate of increase in pensionable salaries | 2.6% | 2.75% | 2.75% |
| Rate of increase in pensions in payment  | 2.6% | 2.75% | 2.75% |
| Discount rate                            | 5.0% | 5.3%  | 5.3%  |
| Inflation assumption                     | 2.6% | 2.75% | 2.75% |

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

|                              | 2005   |         | 2004   |         | 2003   |         |
|------------------------------|--------|---------|--------|---------|--------|---------|
|                              | Return | £'000   | Return | £'000   | Return | £'000   |
| Equities                     | 7.00%  | 4,306   | 7.00%  | 3,363   | 7.00%  | 2,968   |
| Bonds                        | 3.50%  | 305     | 4.00%  | 373     | 4.00%  | 375     |
| Other                        | 4.00%  | 349     | 5.00%  | 285     | 5.00%  | 183     |
| Total market value of assets |        | 4,960   |        | 4,021   |        | 3,526   |
| Actuarial value of liability |        | (7,869) |        | (5,698) |        | (5,326) |

|                       |         |         |         |
|-----------------------|---------|---------|---------|
| Deficit in the scheme | (2,909) | (1,677) | (1,800) |
|-----------------------|---------|---------|---------|

**16 Pensions (continued)**

|                                                                                                | 2005<br>£'000         | 2004<br>£'000         |                       |
|------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Analysis of the amount charged to operating profit</b>                                      |                       |                       |                       |
| Current service cost                                                                           | 42                    | 49                    |                       |
| <b>Total operating charge</b>                                                                  | <b>42</b>             | <b>49</b>             |                       |
| <b>Analysis of amount credited to other finance income</b>                                     |                       |                       |                       |
| Expected return on pension scheme assets                                                       | 268                   | 236                   |                       |
| Interest on pension scheme liabilities                                                         | (300)                 | (292)                 |                       |
| <b>Net (expense)</b>                                                                           | <b>(32)</b>           | <b>(56)</b>           |                       |
| <b>Analysis of amount recognised on statement of total recognised gains and losses (STRGL)</b> |                       |                       |                       |
| Actual return less expected return on pension scheme assets                                    | 639                   | 147                   |                       |
| Experience (losses)/gains arising on the scheme liabilities                                    | (1,802)               | (116)                 |                       |
| Changes in assumptions underlying the present value of the scheme liabilities                  | (179)                 | -                     |                       |
| <b>Actuarial (loss)/gain recognised in STRGL</b>                                               | <b>(1,342)</b>        | <b>31</b>             |                       |
| <b>Movement in deficit during the year</b>                                                     |                       |                       |                       |
| Deficit in scheme at beginning of the year                                                     | (1,677)               | (1,800)               |                       |
| Movement in year:                                                                              |                       |                       |                       |
| Current service cost                                                                           | (42)                  | (49)                  |                       |
| Contributions                                                                                  | 184                   | 197                   |                       |
| Other finance expense                                                                          | (32)                  | (56)                  |                       |
| Actuarial (loss)/gain                                                                          | (1,342)               | 31                    |                       |
| <b>Deficit in scheme at end of the year</b>                                                    | <b>(2,909)</b>        | <b>(1,677)</b>        |                       |
|                                                                                                |                       |                       |                       |
| <b>History of experience gains and losses</b>                                                  | <b>2005<br/>£'000</b> | <b>2004<br/>£'000</b> | <b>2003<br/>£'000</b> |
| Difference between the expected and actual return on scheme assets:                            |                       |                       |                       |
| Amount (£'000)                                                                                 | 639                   | 147                   | 371                   |
| Percentage of scheme assets                                                                    | 12.9%                 | 3.7%                  | 10.5%                 |
| Experience gains and losses on scheme liabilities:                                             |                       |                       |                       |
| Amount (£'000)                                                                                 | (1,802)               | (116)                 | 545                   |
| Percentage of scheme liabilities                                                               | 22.9%                 | -2.0%                 | 10.2%                 |
| Total amount recognised in statement of total recognised gains and losses:                     |                       |                       |                       |
| Amount (£'000)                                                                                 | (1,342)               | 31                    | 172                   |
| Percentage of scheme liabilities                                                               | 17.1%                 | 0.5%                  | 3.2%                  |

## 17 Called-up share capital

|                                           | 2005   | 2004   |
|-------------------------------------------|--------|--------|
|                                           | £'000  | £'000  |
| <b>Authorised</b>                         |        |        |
| 10,000,000 ordinary shares of £1 each     | 10,000 | 10,000 |
| <b>Allotted, called up and fully paid</b> |        |        |
| 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

|                                                              | £'000          |
|--------------------------------------------------------------|----------------|
| 1 January 2005 as previously reported                        | (5,810)        |
| Prior year adjustments – FRS 17                              | (1,677)        |
| 1 January 2005 as restated                                   | (7,487)        |
| Retained profit for the year                                 | 1,154          |
| Actuarial loss on pension scheme                             | (1,342)        |
| <b>At 31 December 2005</b>                                   | <b>(7,675)</b> |
| Pension liabilities                                          | 2,909          |
| <b>Profit and loss account excluding pension liabilities</b> | <b>(4,766)</b> |

## 19 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

|                                               | 2005                        |                | 2004                        |                |
|-----------------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                               | Land and Buildings<br>£'000 | Other<br>£'000 | Land and buildings<br>£'000 | Other<br>£'000 |
| Expiring within one year                      | 147                         | 84             | 100                         | 37             |
| Expiring between two and five years inclusive | 229                         | 156            | 39                          | 23             |
|                                               | 376                         | 240            | 139                         | 60             |

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

|                                                     | 2005       | 2004         |
|-----------------------------------------------------|------------|--------------|
|                                                     | £'000      | £'000        |
| Operating (loss)                                    | (429)      | (1,015)      |
| Depreciation on tangible fixed assets               | 295        | 452          |
| Loss on disposal of fixed assets                    | 8          | 2            |
| Contribution paid to pension scheme                 | (184)      | (197)        |
| Pension costs included in net operating expenses    | 42         | 49           |
| Write down of investment in subsidiary              | -          | 49           |
| (Increase) in stocks                                | (319)      | (228)        |
| (Increase)/Decrease in debtors                      | (1,059)    | 360          |
| Increase/(Decrease) in creditors                    | 2,054      | (356)        |
| <b>Net cash (outflow) from operating activities</b> | <b>408</b> | <b>(884)</b> |

**21 Reconciliation of net cash flow to movement in net debt**

|                                                       | 2005  |              | 2004    |              |
|-------------------------------------------------------|-------|--------------|---------|--------------|
|                                                       | £'000 | £'000        | £'000   | £'000        |
| Increase in cash in the year                          | 411   |              | 4,369   |              |
| Cash inflow from increase in debt and lease financing | -     |              | (3,200) |              |
| Change in net debt resulting from cash flows          |       | 411          |         | 1,169        |
| Other non-cash items:                                 |       |              |         |              |
| Waiver of intercompany loans                          |       | 1,600        |         | 1,600        |
| <b>Movement in net debt in the year</b>               |       | <b>2,011</b> |         | <b>2,769</b> |
| Net debt at 1 January 2005                            |       | (803)        |         | (3,572)      |
| <b>Net debt at 31 December 2005</b>                   |       | <b>1,208</b> |         | <b>(803)</b> |

## 22 Analysis of net debt

|                               | At 1<br>January<br>2005<br>£'000 | Cash<br>Flow<br>£'000 | Non cash<br>items<br>£'000 | At 31<br>December<br>2005<br>£'000 |
|-------------------------------|----------------------------------|-----------------------|----------------------------|------------------------------------|
| Cash at bank in hand, at bank | 797                              | 411                   | -                          | 1,208                              |
|                               | 797                              | 411                   | -                          | 1,208                              |
| Debt due within 1 year        | -                                | -                     | -                          | -                                  |
| Debt over 1 year              | (1,600)                          | -                     | 1,600                      | -                                  |
| <b>Total</b>                  | <b>(803)</b>                     | <b>411</b>            | <b>1,600</b>               | <b>1,208</b>                       |

## 23 Financial instruments

The company had entered into currency forward contracts to buy Japanese Yen to hedge the settlement of creditors as follows:

|                                                                 | 2005                |                     | 2004                |                     |
|-----------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                 | Book value<br>£'000 | Fair value<br>£'000 | Book value<br>£'000 | Fair value<br>£'000 |
| Currency forward contracts held to manage the currency profile. | -                   | (11)                | -                   | -                   |

## 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.

At 31 December 2004, included within other debtors is an amount of £2,000 owed to the company by P Cleary, a director. There was no amount owed to the company by any of the directors at 31 December 2005. The maximum amount outstanding during the year was £2,000.

## 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 Europe Limited at 31 December 2005.

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