

Tamura-Europe Limited

**Annual report and financial statements
for the year ended 31 December 2016**

Registered no: 463530



Tamura-Europe Limited

Annual report and financial statements for the year ended

31 December 2016

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Directors and advisors

Directors	M Asada N Nanjo Y Yokoyama M Puliti
Secretary	J Martin
Registered office	Clarke Avenue Porte Marsh Industrial Estate Calne Wiltshire SN11 9BS
Auditors	Ernst and Young LLP The Paragon Counterslip Bristol BS1 6BX
Solicitors	TLT Solicitors LLP One Redcliff Street Bristol BS1 6TP
Principal bankers	Bank of Tokyo-Mitsubishi UFJ 12 - 15 Finsbury Circus London EC2M 7BT

Strategic report for the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Review of the business

The principal activity of the company continued to be the manufacture and sale of transformers, wound components, battery chargers, power supplies and the assembly of switch boxes. The company has branch operations in the Czech Republic, France, and India and a standalone Italian subsidiary named Tamura Magnetics Engineering S.r.l.

Business review and future developments

The key financial and other performance indicators results during the year were as follows:

	2016 €'000	2015 €'000
Turnover	52,924	49,656
Operating profit/(loss)	166	(4,835)
Profit /(Loss) after tax	53	(6,764)
	2016 €'000	2015 €'000
Reconciliation of normalised operating profit		
Operating profit/(loss)	166	(4,835)
Add back intangible amortisation & impairment	907	1,635
Add back Onerous Lease	-	1,141
Add back Bad Debt	19	316
Add back Restructuring costs	86	625
Normalised operating profit/(loss)	1,178	(1,118)

The Income statement for the year is set out on page 9.

The results for the company show an operating profit of € 166 thousand (2015: operating loss of € (4.8) million) for the year and sales of €52.9 million (2015: €49.7 million).

The increase in revenue compared to 2015 can be partially attributed to realisation of postponed customer sales from the last quarter of 2015, being crystallised within the first quarter of the financial year, combined with natural sales growth from certain major account customers over the year.

The cost of purchases and materials continued to have a volatile impact on gross margins, due the sensitivity of the Euro against the USD and GBP throughout the year. The business resorting back to in-house processing of materials has partially recovered lost margin from foreign exchange.

Normalised operating profit increased to €1.2 million (2015 Loss €(1.1) million). The operational and functional efficiencies realised from the 2015/2016 rationalisation programme has resulted in significant reductions in headcount and employee overheads as set out in note 4.

The business continues to focus on the transition to higher technology products over the next few years, which remains a growing area to the business and will maintain the focus to restructure existing contractual arrangements to improve the long-term profitability of the business.

Strategic report for the year ended 31 December 2016 (continued)

Business review and future developments (continued)

In April 2016, the Company concluded the restructure of the UK manufacturing operation which, combined with other sales related rationalisation activity, had a negative impact of € 86 thousand on the operating result in the year. At the end of 2016 the company continued to realise the benefits of the rationalisation undertaken.

Interest payable includes €197 thousand relating to foreign exchange gains (2015: loss of €1,5 million). This was caused partially by the recovery of the Euro against the British Pound and U.S. Dollar as set out in note 7.

The Company's defined benefit pension scheme has also had a significant impact in 2016 on the company's Total Comprehensive Income, partly from volatile global financial markets, and partly from RPI and CPI inflation rate performance. The discount rate decreased from 3.8% to 2.6% as a result of depreciating Corporate bond yields leading to material increases in the present value of the schemes liabilities, offset partially by both increased contributions by the company and sustained growth in investment returns. The effect of this is seen in the Statement of Other Comprehensive Income as an actuarial loss on pension scheme of €1.9 million (2015: €665 thousand loss).

Shareholders equity improved by €8.8 million following the immediate parent undertaking Tamura Corporation agreement to waive €8.8 million in group loans in March 2016.

The board monitors progress on the overall company strategy and the individual elements by reference to three key KPIs.

	2016	2016	Definition, method of calculation and analysis
Sales performance	6.6%	(22.9)%	Sales growth in the year was partly attributed to the realisation of postponed customer sales from 2015, In addition to natural growth of existing contractual arrangements of key customers.
Gross margin	17.5%	14.2%	Gross margin is the ratio of gross profit to sales expressed as a percentage. Gross profit improved partially from the impact of foreign exchange upon cost of sales from none Euro purchases and raw materials, and as a result of the return to the in-house processing of materials production and operational efficiency.
Stock turnover	5.6 times	4.7 times	Stock turnover is the number of times material cost of sales for the year is divisible by stock at the year-end adjusted for any exceptional items. Stock turns improved, as a result of the realisation of sales, postponed from 2015, together with reduction of procurement of cost of purchases and raw materials.

Strategic report for the year ended 31 December 2016 (continued)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, price risk, credit risk, liquidity risk, interest rate and cash flow 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.

Foreign exchange risks

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. Working capital is actively managed to mitigate risk from foreign exchange. The policies set by the board of directors are implemented by the company's finance department.

The directors will consider entering into foreign currency forward contracts to manage the foreign currency profile and risk where appropriate. No contracts were entered into during the current or previous year

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 in nature.

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.

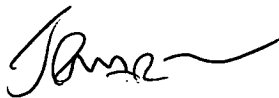
Liquidity risk

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 assets and liabilities, which include cash balances. The company has a policy of maintaining any debt at fixed rates 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.

By order of the board



J Martin
Company Secretary

Date:

25/04/2017

Registered Number: 463530

Directors' report for the year ended 31 December 2016

The directors present their report with the financial statements of the company for the year ended 31st December 2016

Directors

The directors shown below have held office during the year from 1 January 2016 to the date of this report:

M Asada

N Nanjo

Y Yokoyama

M Puliti

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the year (2015: Enil).

Employee involvement

During 2016, 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.

Post Balance Sheet Events

In January 2017, the company received notice that a customer had commenced ICC arbitration proceedings against the company in respect of a claim for breach of contract arising from products supplied by the company to the customer. The claim is denied by the company in its entirety.

Going Concern

The business has generated an operating profit of €0.166 million in a period of tough trading conditions. The company has returned to a positive net asset position of €0.722 million. The immediate parent undertaking Tamura Corporation agreed to waive €8.8 million in group loans in March 2016 to rationalise the financial position. The Directors have concluded in conjunction with the next 3 year business plan that it is appropriate to prepare the accounts on a going concern basis due to the on-going support by the parent company, Tamura Corporation.

The directors have considered the impact of the current economic environment on the company's future cash flows and its ability to meet liabilities as they fall due, taking account of financial support from the Company's ultimate parent company if required, being a period of not less than 12 months from the date of approving the financial statements and are satisfied that it is appropriate to adopt the going concern basis

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 statement

The directors are responsible for preparing the Strategic Report, 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, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland, (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- make suitable accounting policies and then apply them consistency;
- make judgements and accounting 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

Directors' report for the year ended 31 December 2016 (continued)

- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors

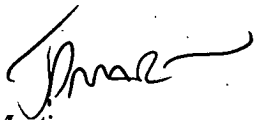
As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report."

Each director has taken all the steps (such as making enquires of other directors and the auditors and any other steps required by the director's duty to exercise duty of care, skill and diligence) that he ought to have taken his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors aware of that information.

Auditors

The auditors, Ernst & Young LLP, were proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the board



J Martin

Company Secretary

Date:

25/04/2017

Registered Number: 463530

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

We have audited the financial statements of Tamura-Europe Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Strategic Report and Directors' report have been prepared in accordance with applicable legal requirements.

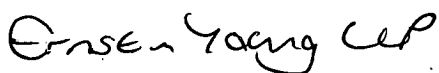
Independent auditor's report to the members of Tamura-Europe Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified no material misstatement in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



*Jane Barwell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor*

Bristol

Date: 26 April 2017

Income Statement for the year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
Turnover	2	52,924	49,656
Cost of sales		(43,649)	(42,591)
Gross profit		9,275	7,065
Distribution costs		(5,296)	(5,582)
Administration costs		(3,813)	(6,318)
Operating profit/(loss)	5	166	(4,835)
Income from shares in group undertakings	6	30	-
Interest payable and similar charges	7	(75)	(1,867)
Profit/(loss) on ordinary activities before taxation		121	(6,702)
Tax on loss on ordinary activities	8	(68)	(62)
Profit/(loss) on ordinary activities after taxation		53	(6,764)

All amounts above relate to continuing operations.

Statement of Comprehensive Income

	Notes	2016 €'000	2015 €'000
Profit/(loss) for the financial year		53	(6,764)
Actuarial loss on pension scheme	19	(1,946)	(665)
Movement on deferred tax relating to pension scheme liability		-	-
Total comprehensive loss relating to the year		(1,893)	(7,429)

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

Statement of Changes in Equity at 31 December 2016

	Called-up Share Capital	Capital Contribution Reserve	Profit and loss account	Total Equity
	€'000	€'000	€'000	€'000
At 1 January 2015	14,716	-	(14,124)	592
Loss for the financial year	-	-	(6,764)	(6,764)
Actuarial Loss on Pension scheme	-	-	(655)	(655)
<i>Total Comprehensive loss for the year</i>	-	-	<i>(7,429)</i>	<i>(7,429)</i>
New Shares Issued	652	-	-	652
At 1 January 2016	15,368	-	(21,553)	(6,185)
Profit for the financial year	-	-	53	53
Actuarial Loss on Pension scheme	-	-	(1,946)	(1,946)
<i>Total comprehensive loss for the year</i>	-	-	<i>(1,893)</i>	<i>(1,893)</i>
Debt Waiver of long term loans	-	8,800	-	8,800
At 31 December 2016	15,368	8,800	(23,446)	722

Statement of Financial Position at 31 December 2016

Registered Number: 463530

	Notes	2016 €'000	2015 €'000
Fixed Assets			
Intangible assets	9	1,357	2,266
Tangible assets	10	1,447	1,917
Investment in subsidiary	11	8,319	8,319
		11,123	12,502
Current Assets			
Stocks	12	6,350	7,192
Debtors	13	9,744	9,626
Cash at bank and in hand		191	374
		16,285	17,192
Creditors: amounts falling due within one year	14	(19,293)	(24,380)
Net current liabilities		(3,008)	(7,188)
Total assets less current liabilities		8,115	5,314
Creditors: amounts falling due after more than one year	15	(1,428)	(5,939)
Provision for Liabilities	17	(1,154)	(1,377)
Net assets/(liabilities) excluding pension liability		5,533	(2,002)
Pension Liability	21	(4,811)	(4,183)
Net Assets/(Liabilities)		722	(6,185)
Capital and Reserves			
Called up share capital	19	15,368	15,368
Capital contribution reserve	20	8,800	-
Profit and loss account	20	(23,446)	(21,553)
Total shareholders' funds/(deficit)		722	(6,185)

The financial statements were approved by the board of directors on 25/04/17 and were signed on its behalf by:


Y. Yokoyama
Finance Director

Date: 25/04/2017

Notes to the financial statements for the year ended 31 December 2016

1 Principal accounting policies

Tamura Europe Limited is a private company limited by share capital incorporated in England and Wales. The registered office is Clarke Avenue, Porte Marsh Industrial Estate, Calne, Wiltshire, SN11 9BS

Statement of compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2016.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.

Exemptions for qualifying entities under FRS 102

Tamura Europe Limited meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions

- (i) Preparing a statement of cash flows under FRS 102
- (ii) Disclosures associated to related party transactions.
- (iii) From the financial instruments disclosures, required under FRS 102

Going Concern

The business has generated an operating profit of €0.166 million in a period of tough trading conditions. The company has returned to a positive net asset position of €0.724 million. The immediate parent undertaking Tamura Corporation agreed to waive €8.8 million in group loans in March 2016 to rationalise the financial position. The Directors have concluded in conjunction with the next 3-year business plan that it is appropriate to prepare the accounts on a going concern basis due to the on-going support by the parent company, Tamura Corporation.

Functional Currency

The financial statements are prepared in Euros, which is the functional currency of the Company and rounded to the nearest €'000 (thousand).

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Euros at rates of exchange ruling at the date of the balance sheet. Transactions in foreign currency are converted to Euro at the rate ruling at the date of the transaction. All differences on exchange are taken to the Income Statement.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied. Turnover is recognised when ownership of the goods passes to the customer. Turnover includes the recognition of product sales as well as the proceeds of sales of internally developed machinery to other companies in the Tamura Corporation group.

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Principal accounting policies (continued)

Intangible assets

Development costs are recognised as intangible assets when costs incurred can be distinguished separately from research costs and meet the criteria for capitalisation. Costs that cannot be separately identified as development costs are deemed to be research costs and are charged to the income statement as they are incurred. Development costs that have been capitalised are reviewed annually to ensure that they will produce future economic benefits otherwise they are impaired. Amortisation that is incurred is charged to the Income Statement over the expected life of the asset.

Software amortisation is calculated to write off the cost of intangible assets less their estimated residual values, on a straight-line basis over the expected useful economic life on average between 3-5 years.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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:

Plant and machinery	10% - 20%
Furniture, fixtures, tools and equipment	10% - 20%

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 attributable 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. Provision is made to adjust the value of stocks to net realisable value as appropriate for slow moving, obsolete and defective stock.

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.

Financial instruments

(i) Financial Assets

Financial assets, including trade and other receivables, amounts due from group companies, cash and bank balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

Notes to the financial statements for the year ended 31 December 2016 (continued)

1 Principal accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled.

(i) Financial Liabilities

Financial liabilities, including bank loans and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished that is when the contractual obligation is discharged, cancelled or expires.

Fixed Asset Investments

Investments are stated at historic cost less provisions for impairment. The directors perform an impairment review on an annual basis to assess the recoverability of assets held.

Retirement benefits

The Company operates a defined benefit pension scheme which is contracted out of the state scheme. 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.

Management has assessed the significant assumptions adopted in calculating the defined benefit obligation, ensuring the selection basis is appropriate and consistently applied.

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

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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the amount the Company will be required to expend to settle that obligation.

Consolidation exemption

The Company is a wholly-owned subsidiary of Tamura Corporation and is included in the consolidated financial statements of Tamura Corporation which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

Notes to the financial statements for the year ended 31 December 2016 (continued)

2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is wholly attributable to the continuing principle activity as stated in the strategic report. The geographical destination analysis of turnover is as follows:

	2016	2015
	€'000	€'000
United Kingdom	5,411	8,032
European Union	35,489	29,675
USA	899	864
Rest of the world	11,125	11,085
	52,924	49,656

3 Directors' emoluments

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

	2016	2015
	€'000	€'000
Aggregate emoluments	275	307

Information regarding the highest paid director is as follows:

Emoluments	246	248
Pension contributions to Defined Benefit Scheme	-	-
The number of directors who are accruing benefits under the defined contribution scheme	-	-
The number of directors who are accruing benefits under the defined benefit scheme	-	-

One of the Japanese Directors and the Italian Director were paid by the Company. For the other two Japanese directors, their remuneration is paid by the ultimate parent company, Tamura Corporation and it is not practicable to separately allocate the value of their services to Tamura Europe Limited.

Notes to the financial statements for the year ended 31 December 2016 (continued)

4 Employee information

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

	2016	2015
	Number	Number
Production	390	442
Distribution and selling	16	19
Administration	10	10
	416	471

The average number of employees employed on temporary contracts in 2016 were 178 (2015: 211).

The average number of employees directly employed in the UK in 2016 were 18 (2015:28)

	2016	2015
	€'000	€'000
Staff Costs (for the above persons)		
Wages and salaries	6,352	7,452
Social security costs	1,511	1,460
Other pension costs	329	358
	8,192	9,270

Staff costs includes €86 thousand relating to staff restructuring for both manufacturing and sales departments.

Total pension costs relating to defined contribution plans was €130 thousand (2015 : €150 thousand)

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	2016	2015
	€'000	€'000
Intangible Fixed Assets		
- Amortisation	910	1,440
- Impairment	-	195
Tangible Fixed Assets		
- Depreciation on owned	486	498
- Impairment	4	13
Operating lease rentals		
- Land & Buildings	904	1,085
- Plant & Machinery	130	169
Auditors' remuneration		
- Audit services – for audit of company	74	83
- Non-Audit services – Tax compliance	14	16
Remuneration received by auditors' member firms (non-UK)		
- Other services pursuant to legislation	68	44
- Non-Audit services – Tax compliance and other services	33	32

Notes to the financial statements for the year ended 31 December 2016 (continued)

6 Income from shares in group undertakings

	2016	2015
	€'000	€'000
Dividend Income	30	-
	30	-

7 Interest receivable / (payable) and similar charges

	2016	2015
	€'000	€'000
Interest payable on bank loans and overdrafts	(146)	(275)
Pension Interest Income	418	441
Pension Interest Cost	(540)	(579)
Loss on Fixed Asset Disposal	(4)	(3)
Profit/(loss) in foreign exchange	197	(1,135)
	(75)	(1,867)

8 Taxation

a) Analysis of charge in the year

	2016	2015
	€'000	€'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustment in respect of the previous year	(4)	4
	(4)	4
Foreign operation tax	72	58
Total current tax charge	68	62
Deferred tax:		
Current year	-	7
Adjustment in respect of the previous year	-	16
Impact of changes in the UK tax rate	-	(23)
Total deferred tax charge/(credit)	-	-
Tax charge to profit on ordinary activities	68	62

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Taxation (continued)

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:

	2016 €'000	2015 €'000
Profit/(loss) on ordinary activities before taxation	121	(6,702)
Tax charge on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%)	24	(1,357)
Effects of:		
Expenses not deductible for tax purposes	7	-
Income not taxable	(10)	-
Gain on incorporation of Italian Branch	-	21
Effects of overseas tax rates	61	58
Adjustments in respect of prior years	(4)	21
Deferred tax not provided	(10)	1,319
Total tax charge for the year	68	62

c) Factors affecting future tax charges

During 2015, the UK Government has enacted a reduction in the rate of corporation tax from the current rate of 20% to 19% from 1 April 2017.

During 2016, the UK Government enacted a further reduction in the rate of corporation tax to 17% from 1 April 2020. The deferred tax balance has been calculated at a rate of 17% based on the rates substantively enacted at 31 December 2016

d) Factors affecting deferred tax charge

Provision for deferred tax comprises:

	2016 €'000	2015 €'000
Deferred tax asset - relating to Pensions	106	345
Deferred tax liability – accelerated capital allowances	(106)	(345)
Net deferred tax	-	-

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. Unrecognised deferred tax assets exist in relation to fixed assets, trade losses and other timing differences of €25.0m (2015: €23.1m)

Notes to the financial statements for the year ended 31 December 2016 (continued)

8 Taxation (continued)

e) Analysis of movement in deferred tax assets and liabilities:

	€'000
At 1 January 2016	-
Deferred tax (charge)/credit in Income Statement	-
Deferred tax (charge)/credit in Statement Comprehensive Income	-
At 31 December 2016	-

9 Intangible Fixed Assets

	Development Costs €'000	Software Costs €'000	Total €'000
Cost			
At 1 January 2016	7,869	12	7,881
Additions	-	1	1
Transfers	-	-	-
At 31 December 2016	7,869	13	7,882
Amortisation			
At 1 January 2016	5,607	8	5,615
Amortisation charge for year	907	3	910
Impairment	-	-	-
Transfers	-	-	-
At 31 December 2016	6,514	11	6,525
Net book value			
At 31 December 2016	1,355	2	1,357
At 31 December 2015	2,262	5	2,266

Capitalisation of development occurs when there is a clearly defined project, and the outcome of such a project has been assessed with reasonable certainty as to: its technical feasibility and its ultimate commercial viability considered in the light of factors such as likely market conditions (including competing products), public opinion, consumer and environmental legislation.

The current policy of capitalisation will continue and be reviewed on an on-going, annual basis.

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Tangible fixed assets

	Plant and machinery	Furniture, fixtures, tools and equipment	Construction in progress	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2016	5,887	2,178	67	8,132
Additions	48	61	59	168
Transfers	107	-	(107)	-
Disposals	(1,006)	(285)	-	(1,291)
At 31 December 2016	5,036	1,954	19	7009
Depreciation				
At 1 January 2016	5,500	715	-	6,215
Depreciation Charge for year	359	127	-	486
Impairment	4	-	-	4
Transfers	-	-	-	-
Disposals	(885)	(258)	-	(1,143)
At 31 December 2016	4,978	584	-	5,562
Net book value				
At 31 December 2016	58	1,370	19	1,447
At 31 December 2015	387	1,463	67	1,917

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Fixed Asset Investments

	€'000
As at 1 January 2016 and 31 December 2016	8,319

This investment relates to the company's subsidiaries undertakings Romarsh Limited and Tamura Magnetics Engineering S.r.l

- Romarsh Limited, registered office Clarke Avenue, Porte Marsh Industrial estate, Calne, Wiltshire, a company incorporated in the UK, of which the company owns 100% of the issued ordinary share capital.
- Tamura Magnetics Engineering S.r.l, registered office Via Amilcare Ponchielli, 6 06073 Ellera di Corciano (Perugia), a company incorporated in Italy of which the company owns 100% of the issued ordinary share capital.

12 Stocks

	2016 €'000	2015 €'000
Raw materials and consumables	5,519	6,242
Work in progress	469	637
Finished goods and goods for resale	362	313
	6,350	7,192

13 Debtors: amounts falling due within one year

	2016 €'000	2015 €'000
Amounts falling due within one year		
Trade debtors	9,331	9,022
Other debtors	85	361
Corporation tax recoverable	15	9
Prepayments and accrued income	313	234
	9,744	9,626

Notes to the financial statements for the year ended 31 December 2016 (continued)

14 Creditors: amounts falling due within one year

	2016 €'000	2015 €'000
Bank overdraft (note 16)	9,753	12,194
Parent Company Loan	-	4,400
Amounts due to group undertakings	4,961	3,097
Trade creditors	3,143	3,430
Other taxation and social security	368	443
Short term onerous lease	131	144
Accruals and deferred income	937	672
	19,293	24,380

Currently there are no set repayment terms on the amounts due to group undertakings. Interest on these amounts is charged at an arms-length basis.

15 Creditors: amounts falling after more than one year

	2016 €'000	2015 €'000
Parent Company Loan	-	4,400
Amounts owed to Group Undertakings	1,428	1,539
Deferred Taxation (note 8d)	-	-
	1,428	5,939

16 Loans

An analysis of the maturity of bank loans is given below:

	2016 €'000	2015 €'000
Amounts falling due within one year or on demand:		
Bank overdraft	9,753	12,194

Notes to the financial statements for the year ended 31 December 2016 (continued)

17 Provision for liabilities

	2016 €'000	2015 €'000
Long term onerous lease	774	997
Provisions	380	380
	<u>1,154</u>	<u>1,377</u>

The onerous lease is associated to the rationalisation of the UK manufacturing operation resulting in the operating lease on the UK factory becoming onerous in 2015.

Provisions relate to the amicable settlement with a Romarsh Ltd customer following a long standing dispute.

A discount rate of 1.2% being the risk free rate is used to calculate the net present value of the provisions.

18 Operating lease commitments

At 31 December 2016, the total of future minimum lease payments under non-cancellable operating lease as follows:

	2016 Land & buildings €'000	Other €'000	2015 Land & buildings €'000	Other €'000
Expiring within one year	900	68	953	74
Expiring between two and five years inclusive	1,745	97	2,436	56
Expiring over five years	408	-	718	-
	<u>3,053</u>	<u>165</u>	<u>4,107</u>	<u>130</u>

19 Called up share capital

	2016 €'000	2015 €'000
Ordinary Shares at £1 each		
At 1 January 2016	15,368	15,368
At 31 December 2016	15,368	15,368

Ordinary shares are authorised, issued and fully paid at a nominal value of £1 per share.

Notes to the financial statements for the year ended 31 December 2016 (continued)

20 Reserves

Capital Contribution Reserve

The Capital contribution reserve was generated in the year following Tamura Corporation waiving its €8.8 million intercompany loans to the Company.

Profit and Loss Reserve

The Profit & Loss reserve represents the accumulated losses results of the Companies operations.

21 Employee benefit obligations

The company operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. On 11 December 2001, the defined benefit pension scheme was closed to new entrants. On 30 November 2009 the defined benefit pension scheme was closed to future accrual and all active members became deferred members.

Defined benefit scheme

An actuarial valuation of the Tamura Hinchley Ltd pension scheme using the projected unit basis was carried out at 31 December 2015 by JLT, independent consulting actuaries. The major assumptions used by the actuary were:

	2016 %	2015 %
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	2.4	2.2
Discount rate	2.6	3.8
Rate of inflation	3.3	3.1

Having taken advice from the company's actuaries, the directors consider it appropriate to use a rate of inflation that is established by reference the Bank of England targeted inflation rate.

The mortality assumptions used were as follows:

	2016 Years	2015 years
Longevity at age 45:		
– Men	22.2	22.2
– Women	24.2	24.1
Longevity at age 65:		
– Men	23.9	23.8
– Women	26.1	26.0

Notes to the financial statements for the year ended 31 December 2016 (continued)

21 Employee benefit obligations (continued)

The Assets and Liabilities of the scheme at 31 December:

	2016	2015
	€000	€000
Equities	8,504	8,186
Bonds	4,317	4,441
Cash	278	45
Fair value of scheme assets	13,100	12,672
Present value of scheme liabilities	(17,911)	(16,855)
Deficit in scheme	(4,811)	(4,183)

The equity investments and bonds which are held in plan assets are quoted and are valued at fair value.

Reconciliation of present value of scheme liabilities

	2016	2015
	€'000	€'000
1 January	16,855	15,143
Expenses	162	122
Interest cost	540	579
Benefits paid	(870)	(701)
Actuarial Loss	3,527	472
Foreign Currency (gain)/loss	(2,303)	1,240
31 December	17,911	16,855

Commitments for pensions not recorded in the balance sheet

To eliminate the funding shortfall, the Trustee and the Company have agreed that, additional contributions to the pension will be paid into the scheme within the 12 months of £0.8 million followed by further £3.4 million thereafter to the end of December 2021, to be paid through monthly installments.

Notes to the financial statements for the year ended 31 December 2016 (continued)

21 Employee benefit obligations (continued)

Reconciliation of present value of scheme assets

	2016 €'000	2015 €'000
1 January	12,672	11,151
Actuarial gains / (loss)	1,582	(193)
Interest Income	418	441
Benefits paid	(870)	(701)
Contributions paid by employer	1,030	1,072
Foreign Currency gain/(loss)	(1,732)	902
31 December	13,100	12,672

Scheme assets do not include any of Tamura-Europe Limiter's own financial instruments, or any property occupied by Tamura-Europe Limited.

The expected return on scheme assets is determined by considering the expected returns on the assets underlying the current investment policy. Expected yields on fixed asset interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return in the respective markets.

Recognised in the profit and loss:

	2016 €'000	2015 €'000
Interest Cost	540	579
Interest Income	(418)	(441)
Net Income	122	138
Expenses	162	122
Foreign Currency (gain)\loss	(571)	338
31 December	(288)	598

Recognised in other comprehensive income:

	2016 €'000	2015 €'000
Return on plan assets	(1,582)	193
Experience gains and losses arising on the plan liabilities	(269)	(837)
Effects of changes in demographics and financial assumptions	3,797	1,309
31 December	1,946	665

Notes to the financial statements for the year ended 31 December 2016 (continued)

22 Related party transactions

The Company has taken advantage of the available exemptions available to it under FRS 102, not to disclose any transactions or balances with entities that are part of the Group or investees of the Group qualifying as related parties on the basis that greater than 90% of its voting rights are controlled within the group.

There was no amount (2015: nil) owed to the Company by any of the directors at 31 December 2016.

23 Contingent Liability

The Company has in place a bank guarantee with the Bank of Tokyo Mitsubishi UFJ Limited for the sum of £200,000 for HMRC's Duty Deferments.

24 Post Balance Sheet Events

In January 2017, the Company received notice that a customer had commenced ICC arbitration proceedings against the company in respect of a claim for breach of contract arising from products supplied by the company to the customer. The claim is denied by the Company in its entirety.

25 Ultimate parent undertaking and control

The immediate parent undertaking is Tamura Corporation.

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

Tamura Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Tamura Corporation are available from:

Tamura Corporation
1-19-43,
Higashi-Oizumi
Nerima-Ku,
Tokyo 178-8511
Japan