

Tamura-Europe Limited

**Annual report and financial statements
for the year ended 31 December 2017**

Registered no: 463530



Tamura-Europe Limited

Annual report and financial statements for the year ended 31 December 2017

Contents

Directors and advisors	1
Strategic report	2
Directors' report	5
Independent auditor's report	7
Income statement	10
Statement of comprehensive income	10
Statement of changes in equity	11
Statement of financial position	12
Notes to the financial statements	13

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 2017

The directors present their strategic report for the year ended 31 December 2017.

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:

	2017	2016
	€'000	€'000
Turnover	50,325	52,924
Operating (loss)/profit	(1,731)	166
(Loss)/profit after tax	(1,725)	53
	2017	2016
	€'000	€'000
Reconciliation of normalised operating profit		
Operating (loss)/profit	(1,731)	166
Add back intangible amortisation and impairment	1,073	907
Add back Bad Debt	-	19
Add back Restructuring costs	400	86
Add back Exceptional Litigation Costs	318	-
Normalised operating profit/(loss)	60	1,178

The Income statement for the year is set out on page 10.

The results for the year show an operating loss of € 1.731 million (2016: operating profit of € 166 thousand) for the year and sales of €50.3 million (2016: €52.9 million).

The decrease in revenue compared to prior period has been influenced by a trend of relocating or outsourcing production outside Europe. This shift in business has been seen amongst many competitors and customers. During the first half of the year, the reduction in sales was an effect of challenging conditions on the global market. By the end of the first half of the year, sales order intake had grown significantly, coinciding with gradual recovery in confidence within the market. The last quarter of the year saw a postponement of several key customer sales forecasted for 2017 – with the sales being eventually pushed out to 2018.

The cost of purchases and materials continued to have a significant impact on gross margin. The underlying cause for the unpredictable costs is the volatility of foreign currency exchange rates. The gross margin is primarily susceptible to the Euro against the American dollar and the pound sterling exchange rate fluctuations. In addition, the changes in the exchange rate between the Euro and the Czech koruna that followed the decision of the Czech authorities to unpeg their national currency from the Euro affected negatively the cost of purchases and overheads.

Normalised operating profit for the year was €60 thousand (2016 profit of €1.2 million). The company undertook stringent cost saving initiatives across the business to optimise the cost structure. The measures that have been taken resulted in significant reductions in headcount and employee overheads. The rationalisation programmes costs are set out in note 4.

Strategic report for the year ended 31 December 2017 (continued)

Business review and future developments (continued)

Over the next few years, the business will continue to focus on the transition to higher technology products, which represent a growing share of the company's offer. The company will also maintain efforts to restructure existing contractual arrangements in order to improve the long-term profitability of the business.

In 2017, the company decided to further restructure the European sales and manufacturing operations. This, combined with other sales related rationalisation activity, had a negative impact of €400 thousand on the operating result in the year. At the end of 2017, the company started to see the benefits of the rationalisation actions undertaken.

In addition, the company incurred exceptional litigation costs of €318 thousand relating to an ongoing legal matter.

Interest receivable/(payable) and similar charges include a gain of €254 thousand relating to foreign exchange gains (2016: gain €197 thousand). This was caused partially by the recovery of the Euro against the pound sterling and the American dollar as set out in note 7.

The Company's defined benefit pension scheme has had a significant positive impact on the company's total comprehensive income in 2017. The contributing factors include increased company contributions, recovery of global financial markets combined with sustained growth in investment returns, continuous focus upon liability reduction management and RPI and CPI inflation rate performance. In addition, deterioration in Corporate bond yields, resulted in the reduction of discount rate from 2.6% to 2.5% leading to material decreases in the present value of the schemes liabilities. The effect of this is seen in the Statement of Other Comprehensive Income as an actuarial gain on pension scheme of €1.3 million (2015: €1.9 thousand loss). During the year the switch toward liability driven investments LDI should also partially hedge against interest and Inflation liability valuation volatility in the long term.

Shareholders equity improved by €2.995 million following a group undertaking Tamura Corporation of Hong Kong Limited agreement to waive €2.995 million in affiliate balances in November 2017.

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

	2017	2016	Definition, method of calculation and analysis
Sales performance	(4.9)%	6.6%	Sales decline in the year was partly a result of global market conditions in the first half of the financial year and postponing the phasing of sales into next year at the end of the year. In addition, a rationalisation of contractual arrangements with a key customer contributed to the fall in sales.
Gross margin	14.5%	17.5%	Gross margin is the ratio of gross profit to sales expressed as a percentage. Gross profit decreased from the impact of foreign exchange upon cost of sales, raw materials and overheads.
Stock turnover	5.8 times	5.6 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 in 2017, together with reduction of procurement of cost of purchases and raw materials.

Strategic report for the year ended 31 December 2017 (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.

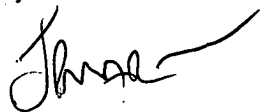
Liquidity risk

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:

29/5/2018

Registered Number: 463530

Directors' report for the year ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31st December 2017

Directors

The directors shown below have held office during the year from 1 January 2017 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 (2017: €nil).

Going Concern

The business has generated an operating loss of €1.7 million in a period of tough trading conditions. The company has remains in a positive net asset position of €3.3 million at the balance sheet date. 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.

In 2017, the company has been engaged in ICC arbitration proceedings with a customer in respect of a claim for breach of contract arising from products supplied by the business to the customer. The claim is denied by the company in its entirety. At the balance sheet date no provision has been made in relation to this claim. In the opinion of the directors, it would prejudice seriously the position of the company to disclose the information required by section 21.15 of FRS 102.

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.

Modern slavery and human trafficking statement

The business fully acknowledges its responsibility to respect human rights as set out within both the UK modern slavery act 2015 and guidelines set out in the International Bill of Human Rights. The company also ensures its continuous compliance with the Tamura Corporation Global Code of Practice with regards to human rights policies and practices. The company maintains focus on the most salient human rights risks of relevance to an international corporation, including matters related to labour rights among our employees and in our supply chain

Employee involvement

During 2017, 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.

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.

Directors' report for the year ended 31 December 2017 (continued)

In preparing these financial statements, the directors are required to:

- make suitable accounting policies and then apply them consistently;
- 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
- 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

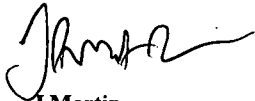
As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report."

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: 24/5/2018

Registered Number: 463530

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

Opinion

We have audited the financial statements of Tamura Europe Limited for the year ended 31 December 2017 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 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A further description of our responsibilities for the audit of the financial statements is located on the

- Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report

Ernst & Young LLP

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

Bristol

Date: *25 May 2018*

Income Statement for the year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Turnover	2	50,325	52,924
Cost of sales		(42,998)	(43,649)
Gross profit		7,327	9,275
Distribution costs		(4,892)	(5,296)
Administration costs		(4,166)	(3,813)
Operating (loss)/profit	5	(1,731)	166
Income from shares in group undertakings	6	36	30
Interest receivable/(payable) and similar charges	7	31	(75)
(Loss)/profit on ordinary activities before taxation		(1,664)	121
Tax on loss on ordinary activities	8	(61)	(68)
(Loss)/profit on ordinary activities after taxation		(1,725)	53

All amounts above relate to continuing operations.

Statement of Comprehensive Income

	Notes	2017 €000	2016 €000
(Loss)/profit for the financial year		(1,725)	52
Actuarial gain/(loss) on pension scheme	21	1,353	(1,946)
Movement on deferred tax relating to pension scheme liability		-	-
Total comprehensive loss relating to the year		(372)	(1,893)

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

Statement of Changes in Equity as at 31 December 2017

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total equity
	€'000	€'000	€'000	€'000
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>	-	-	(1,893)	(1,893)
Debt waiver of long term loans	-	8,800	-	8,800
At 1 January 2017	15,368	8,800	(23,446)	722
Loss for the financial year	-	-	(1,725)	(1,725)
Actuarial gain on pension scheme	-	-	1,353	1,353
<i>Total comprehensive loss for the year</i>	-	-	(372)	(372)
Debt waiver of group undertaking	-	2,995	-	2,995
At 31 December 2017	15,368	11,795	(23,818)	3,345

Statement of Financial Position as at 31 December 2017

Registered Number: 463530

	Notes	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	9	284	1,357
Tangible assets	10	1,026	1,447
Investment in subsidiary	11	8,319	8,319
		9,629	11,123
Current assets			
Stocks	12	6,174	6,350
Debtors	13	10,725	9,744
Cash at bank and in hand		282	191
		17,181	16,285
Creditors: amounts falling due within one year	14	(18,803)	(19,293)
Net current liabilities		(1,622)	(3,008)
Total assets less current liabilities		8,007	8,115
Creditors: amounts falling due after more than one year	15	(1,421)	(1,428)
Provision for liabilities	17	(762)	(1,154)
Net assets excluding pension liability		5,824	5,533
Pension liability	21	(2,479)	(4,811)
Net assets		3,345	722
Capital and reserves			
Called up share capital	19	15,368	15,368
Capital contribution reserve	20	11,795	8,800
Profit and loss account	20	(23,818)	(23,446)
Total shareholders' funds		3,345	722

The financial statements were approved by the board of directors on 24/5/18 and were signed on its behalf by:

Y Yokoyama
Finance Director

Date: 24/5/2018

Notes to the financial statements for the year ended 31 December 2017

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 2017.

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's 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 following 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 loss of €1.7 million in a period of tough trading conditions. The company has maintained a positive net asset position of €3.345 million. The immediate parent undertaking Tamura Corporation agreed to waive €2.995 million in amounts due to group undertakings in November 2017 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 2017 (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 2017 (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 the 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 2017 (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:

	2017	2016
	€'000	€'000
United Kingdom	5,498	5,411
European Union	32,278	35,489
USA	106	899
Rest of the world	12,443	11,125
	50,325	52,924

3 Directors' emoluments

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

	2017	2016
Aggregate emoluments	246	275

Information regarding the highest paid director is as follows:

	2017	2016
	€'000	€'000
Emoluments	227	246
Pension contributions to defined benefit scheme	-	-

No directors have been accruing benefits under defined contribution scheme or 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 2017 (continued)

4 Employee information

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

	2017 Number	2016 Number
Production	283	390
Distribution and selling	14	16
Administration	9	10
	306	416

The average number of employees employed on temporary contracts in 2017 were 82 (2016: 178).

The average number of employees directly employed in the UK in 2017 were 16 (2016: 18)

	2017 €'000	2016 €'000
Staff costs (for the above persons)		
Wages and salaries	5,880	6,352
Social security costs	1,368	1,511
Other pension costs	258	329
	7,506	8,192

Staff costs includes €400 thousand relating to staff restructuring for both manufacturing and sales departments.
Total pension costs relating to defined contribution plans was €94 thousand (2016: €122 thousand)

5 Operating (loss)/profit

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

	2017 €'000	2016 €'000
Intangible fixed assets		
- Amortisation	800	910
- Impairment	274	-
Tangible fixed assets		
- Depreciation on owned	496	486
- Impairment	-	4
Operating lease rentals		
- Land and Buildings	818	904
- Plant and Machinery	133	130
Auditors' remuneration		
- Audit services – for audit of company	71	74
- Non-audit services – tax compliance	14	14
Remuneration received by auditors' member firms (non-UK)		
- Other services pursuant to legislation	14	68

**Notes to the financial statements
for the year ended 31 December 2017 (continued)**

5 Operating (loss)/profit (continued)

	2017 €'000	2016 €'000
- Restructuring costs	400	86
- Exceptional litigation costs	318	-

6 Income from shares in group undertakings

	2017 €'000	2016 €'000
Dividend income	36	30
	<u>36</u>	<u>30</u>

7 Interest receivable /(payable) and similar charges

	2017 €'000	2016 €'000
Interest payable on bank loans and overdrafts	(111)	(146)
Pension interest income	327	418
Pension interest cost	(435)	(540)
Loss on fixed asset disposal	(4)	(4)
Foreign exchange gain	254	197
	<u>31</u>	<u>(75)</u>

8 Taxation

a) Analysis of charge in the year

	2017 €'000	2016 €'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustment in respect of the previous year	10	(4)
	<u>10</u>	<u>(4)</u>
Foreign operation tax	51	72
Total current tax charge	<u>61</u>	<u>68</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Taxation (continued)

	2017 €'000	2016 €'000
Deferred tax:		
Current year	-	-
Adjustment in respect of the previous year	-	-
Impact of changes in the UK tax rate	-	-
Total deferred tax charge/(credit)	-	-
Total charge to profit on ordinary activities	61	68

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:

	2017 €'000	2016 €'000
(Loss)/profit on ordinary activities before taxation	(1,664)	121
Tax charge on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20.00%)	(320)	24
Effects of:		
Expenses not deductible for tax purposes	4	7
Income not taxable	(6)	(10)
Effects of overseas tax rates	40	61
Adjustments in respect of prior years	10	(4)
Deferred tax not provided	333	(10)
Total tax charge for the year	61	68

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 2017.

Notes to the financial statements for the year ended 31 December 2017

8 Taxation (continued)

d) Factors affecting deferred tax charge

Provision for deferred tax comprises:

	2017 €'000	2016 €'000
Deferred tax asset - relating to pensions	-	106
Deferred tax liability – accelerated capital allowances	-	(106)
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 €25.4m (2016: €25.m).

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 of comprehensive Income	-
At 31 December 2017	-

Notes to the financial statements for the year ended 31 December 2017

9 Intangible Fixed Assets

	Development costs €'000	Software costs €'000	Total €'000
Cost			
At 1 January 2017	7,869	13	7,882
Additions	-	1	1
At 31 December 2017	7,869	14	7,883
Amortisation			
At 1 January 2017	6,514	11	6,525
Amortisation charge for year	799	1	800
Impairment	274	-	274
At 31 December 2017	7,587	12	7,599
Net book value			
At 31 December 2017	282	2	284
At 31 December 2016	1,355	2	1,357

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 2017 (continued)**

10 Tangible fixed assets

	Plant and machinery €'000	Furniture, fixtures, tools and equipment €'000	Construction in progress €'000	Total €'000
Cost				
At 1 January 2017	6,078	2,337	2	8,417
Additions	3	31	61	95
Transfers	23	38	(61)	-
Disposals	(131)	(260)	-	(391)
At 31 December 2017	5,973	2,146	2	8,121
Depreciation				
At 1 January 2017	4,978	1,992	-	6,970
Depreciation Charge for year	360	136	-	496
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	(113)	(258)	-	(371)
At 31 December 2017	5,225	1,870	-	7,095
Net book value				
At 31 December 2017	748	276	2	1,026
At 31 December 2016	1,100	345	2	1,447

The opening balance value per asset category has been changed to reflect changes in asset definitions used within the business,

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Fixed Asset Investments

	€'000
As at 1 January 2017 and 31 December 2017	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

	2017 €'000	2016 €'000
Raw materials and consumables	5,316	5,519
Work in progress	522	4,69
Finished goods and goods for resale	336	362
	6,174	6,350

13 Debtors: amounts falling due within one year

	2017 €'000	2016 €'000
Amounts falling due within one year		
Trade debtors	9,653	9,331
Other debtors	175	85
Corporation tax recoverable	163	15
Other taxes and social income	243	-
Prepayments and accrued income	491	313
	10,725	9,744

Notes to the financial statements for the year ended 31 December 2017 (continued)

14 Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Bank overdraft (note 16)	10,182	9,753
Amounts due to group undertakings	4,109	4,961
Trade creditors	2,487	3,143
Other taxation and social security	10	368
Short term onerous lease	-	131
Dilapidation provision	271	-
Accruals and deferred income	1,744	937
	18,803	19,293

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

	2017 €'000	2016 €'000
Amounts owed to group undertakings	1,421	1,428
Deferred taxation (note 8d)	-	-
	1,421	1,428

16 Loans

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

	2017 €'000	2016 €'000
Amounts falling due within one year or on demand:		
Bank overdraft	10,182	9,753

Notes to the financial statements for the year ended 31 December 2017 (continued)

17 Provision for liabilities

	2017 €'000	2016 €'000
Long term onerous lease	-	774
Dilapidation provision	382	-
Provisions	380	380
	762	1,154

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

In September 2017 the business renegotiated a new operating lease on its UK factory, resulting with release of the onerous lease provision made in 2015. The resulting lease surrender premium costs associated to the cancellation of the previous UK Lease was expensed to the profit and loss in 2017 and will be paid in quarterly installments over a 3 year period.

18 Operating lease commitments

At 31 December 2017, the total of future minimum lease payments under non-cancellable operating lease as follows:

	2017		2016	
	Land and buildings €'000	Other €'000	Land and buildings €'000	Other €'000
Expiring within one year	599	90	900	68
Expiring between two and five years	700	118	1,745	97
Expiring over five years	-	-	408	-
	1,299	208	3,053	165

In September 2017 the business renegotiated a new operating lease on its UK factory which reduced the leased square footage from 100% to 28% occupancy.

Notes to the financial statements for the year ended 31 December 2017 (continued)

19 Called up share capital

	2017	2016
Ordinary Shares at £1 each	€'000	€'000
At 1 January 2016	15,368	15,368
At 31 December 2017	15,368	15,368

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

20 Reserves

Capital contribution reserve

The capital contribution reserve was generated in 2016/2017 following Tamura Corporation waiving intercompany loans and affiliate trade balances to the Company. Tamura Corporation of Hong Kong agreed to waive a further €2.995 million in amounts due to group undertakings in November 2017.

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:

	2017	2016
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	2.3	2.4
Discount rate	2.5	2.6
Rate of inflation	3.2	3.3

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.

Notes to the financial statements for the year ended 31 December 2017 (continued)

21 Employee benefit obligations (continued)

The mortality assumptions used were as follows:

	2017 Years	2016 Years
Longevity at age 45:		
– Men	21.9	22.2
– Women	23.7	24.2
Longevity at age 65:		
– Men	23.0	23.9
– Women	25.0	26.1

The Assets and Liabilities of the scheme at 31 December:

	2017 €000	2016 €000
Equities	10,736	8,504
Bonds	2,669	4,317
Cash	285	278
Fair value of scheme assets	13,690	13,100
Present value of scheme liabilities	(16,169)	(17,911)
Deficit in scheme	(2,479)	(4,811)

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

	2017 €'000	2016 €'000
1 January	17,911	16,855
Expenses	116	162
Interest cost	435	540
Benefits paid	(1,088)	(870)
Actuarial (gain)/loss	(514)	3,527
Foreign currency (gain)/loss	(691)	(2,303)
31 December	16,169	17,911

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 next 12 months of £0.83 million followed by further £2.6 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 2017 (continued)

21 Employee benefit obligations (continued)

Reconciliation of present value of scheme assets

	2017 €'000	2013 €'000
1 January	13,100	12,675
Actuarial gains (loss)	839	1,582
Interest income	327	418
Benefits paid	(1,088)	(870)
Contributions paid by employer	1,018	1,030
Foreign currency gain/(loss)	(506)	(1,732)
31 December	13,690	13,100

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:

	2017 €'000	2016 €'000
Interest cost	435	540
Interest income	(327)	(418)
Net expense	108	122
Expenses	116	162
Foreign currency (gain)\loss	(185)	(571)
31 December	39	(288)

Recognised in other comprehensive income:

	2017 €'000	2016 €'000
Return on plan assets	(839)	(1,582)
Experience gains and losses arising on the plan liabilities	(169)	(269)
Effects of changes in demographics and financial assumptions	(345)	3,797
31 December	(1,353)	1,946

Notes to the financial statements for the year ended 31 December 2017 (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 (2016: nil) owed to the Company by any of the directors at 31 December 2017.

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.

Since January 2017 the company has been engaged in ICC arbitration proceedings with a customer in respect of a claim for breach of contract arising from products supplied by the business to the customer. The claim is denied by the Company in its entirety. At the balance sheet date, no provision has been made in relation to this claim. In the opinion of the directors, it would prejudice seriously the position of the company to disclose the information required by section 21.15 of FRS 102.

24 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 2017. The consolidated financial statements of Tamura Corporation are available from:

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