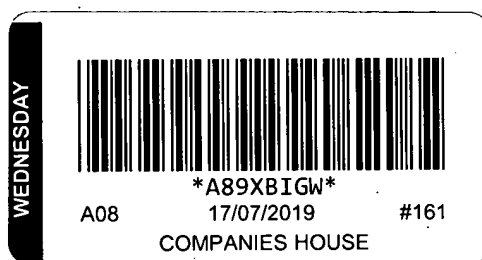


Tamura-Europe Limited

Annual report and financial statements
for the year ended 31 December 2018

Registered no: 00463530



Tamura-Europe Limited

Annual report and financial statements for the year ended

31 December 2018

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Directors and advisors

Directors	S Kohakura 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	MUFG Bank Limited Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AN

Strategic report for the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

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 result during the year were as follows:

	2018	2017
	€'000	€'000
Turnover	51,264	50,325
Operating profit/(loss)	329	(1,731)
(Loss)/profit after tax	(385)	(1,725)
	2018	2017
	€'000	€'000
Reconciliation of normalised operating profit		
Operating profit /(Loss)	329	(1,731)
Add back intangible amortisation and impairment	282	1,073
Add back GMP Equalisation	131	-
Add back Restructuring costs	-	400
Add back Exceptional Litigation Costs	(54)	318
Normalised operating profit/(loss)	688	60

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

The results for the year show an operating profit of € 0,329 million (2017: operating Loss of € 1.731 million for the year and sales of €51.3 million (2017: €50.3 million).

The increase in revenue compared to prior period has coincided with the gradual recovery in confidence within the European and Global market, combined with a growth in sales from specific customers. The last quarter of the year saw a postponement of several key customer sales forecasted for 2018 – with the sales being eventually pushed out to the 1st quarter of 2019.

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 €688 thousand (2017 profit of €60 thousand). The company continue to maintain 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.

Strategic report

for the year ended 31 December 2018 (continued)

Business review and future developments (continued)

Over the next three years, the business will maintain its 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.

The company seeks to optimise its European sales and manufacturing operations. This, combined with other sales related rationalisation activity,

The company recovered net exceptional litigation costs of €54 thousand following the conclusion of the ICC arbitration proceedings in the profit and loss account and holds a receivable of €0.9 million contained within other debtors.

Interest receivable/(payable) and similar charges include a loss of €261 thousand relating to foreign exchange (2017: gain €254 thousand). This was caused by volatility 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 negative impact on the company's total comprehensive income of € (83) thousand loss (2017: €1.3 million gain). The contributing factors despite increased company contributions, was due to volatility in global financial markets, specifically within the US and Europe surrounding Brexit having €676 thousand negative impact on assets returns alone in December 2018. Furthermore, the GMP equalisation impact to the scheme realised an addition of 0.85% to the scheme's liabilities, equating to an increase of €131 thousand.

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

	2018	2017	Definition, method of calculation and analysis
Sales performance	1.9%	(4.9)%	Sales increase in the year was partly a result of global market conditions and realisation of project phasing.
Gross margin	14.6%	14.5%	Gross margin is the ratio of gross profit to sales expressed as a percentage. Gross profit increase from the impact of cost up on cost of sales, raw materials and overheads.
Stock turnover	4.9 times	5.8 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 decreased, as a result of the deferral of sales in 2019.

Strategic report for the year ended 31 December 2018 (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.

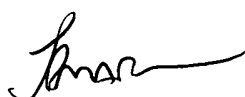
Liquidity risk

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: 04/07/2019

Registered Number: 463530

Directors' report for the year ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31st December 2018

Directors

The directors shown below have held office during the year from 1 January 2018 to the date of this report:

M Asada (resigned 31/03/2019)

S Kohakura (appointed 01/04/2019)

N Nanjo

Y Yokoyama

M Puliti

Following a Tamura Group reorganisation M Asada resigned his position as at 31/03/2019 and S Kohakura was appointed as his replacement as at 01/04/2019.

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 profit of €0.329 million in a period of tough trading conditions. The company remains in a positive net asset position of €2.877 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.

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. On the 21st May 2019, the ICC arbitration panel issued its final award, dismissing all of the customers claims against the company. At the balance sheet date, all accounting adjustments have been made in relation to this claim within the operating result ended 31st December 2018.

Tamura-Europe Limited has been the principal employer and sole participating employer of the Tamura Hinchley Limited Pension Scheme. On 28 June 2019, a new company Tamura Pension UK Limited (company number 11802906) was admitted to participation in the Scheme as a statutory employer and was substituted as principal employer of the Scheme. Tamura Europe Limited ceased to participate in the Tamura Hinchley Pension Scheme with effect from 29 June 2019. The Company approached T.H.L. Pensions Limited (company number 02631462) (the "Trustee") as sole corporate trustee of the Scheme with a view to obtaining its consent to the apportionment of all of Tamura Europe Limited's liabilities in relation to the Scheme to Tamura Pension UK Limited (as the new principal employer of the Scheme) under a flexible apportionment arrangement ("FAA").

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 2018, 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,

Directors' report for the year ended 31 December 2018 (continued)

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.

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
- 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

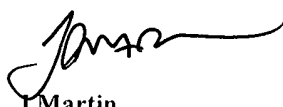
As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report."

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: 04/07/2019

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 2018 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes from 1 to 25, 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 2018 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.

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.

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

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

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 5, 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.

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.

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

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.

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol

Date *10 July 2019*

Income Statement for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Turnover	2	51,264	50,325
Cost of sales		(43,797)	(42,998)
Gross profit		7,467	7,327
Distribution costs		(4,443)	(4,892)
Administration costs		(2,695)	(4,166)
Operating profit/(loss)	5	329	(1,731)
Income from shares in group undertakings	6	49	36
Interest (payable)/receivable and similar charges	7	(434)	31
(Loss)/profit on ordinary activities before taxation		(56)	(1,664)
Tax on loss on ordinary activities	8	(329)	(61)
(Loss)/profit on ordinary activities after taxation		(385)	(1,725)

All amounts above relate to continuing operations.

Statement of Comprehensive Income

	Notes	2018 €000	2017 €000
(Loss)/profit for the financial year		(385)	(1,725)
Actuarial gain/(loss) on pension scheme	21	(83)	1,353
Movement on deferred tax relating to pension scheme liability		-	-
Total comprehensive loss relating to the year		(468)	(372)

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 2018

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total equity
	€'000	€'000	€'000	€'000
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 long term loans	-	2,995	-	2,995
At 1 January 2018	15,368	11,795	(23,818)	3,345
Loss for the financial year	-	-	(385)	(385)
Actuarial loss on pension scheme	-	-	(83)	(83)
<i>Total comprehensive loss for the year</i>	-	-	(468)	(468)
Debt waiver of group undertaking	-	-	-	-
At 31 December 2018	15,368	11,795	(24,286)	2,877

Statement of Financial Position as at 31 December 2018

Registered Number: 463530

	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	9	1	284
Tangible assets	10	951	1,026
Investment in subsidiary	11	8,319	8,319
		9,271	9,629
Current assets			
Stocks	12	7,533	6,174
Debtors	13	12,220	10,725
Cash at bank and in hand		459	282
		20,212	17,181
Creditors: amounts falling due within one year	14	(23,092)	(18,803)
Net current liabilities		(2,880)	(1,622)
Total assets less current liabilities		6,391	8,007
Creditors: amounts falling due after more than one year	15	(1,261)	(1,421)
Provision for liabilities	17	(473)	(762)
Net assets excluding pension liability		4,657	5,824
Pension liability	21	(1,780)	(2,479)
Net assets		2,877	3,345
Capital and reserves			
Called up share capital	19	15,368	15,368
Capital contribution reserve	20	11,795	11,795
Profit and loss account	20	(24,286)	(23,818)
Total shareholders' funds		2,877	3,345

The financial statements were approved by the board of directors on 04/07/19 and were signed on its behalf by:


Y Yokoyama
Finance Director

Date: 04/07/2019

Notes to the financial statements for the year ended 31 December 2018

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 2018.

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 profit of €0.329 million in a period of tough trading conditions. The company has maintained a positive net asset position of €2.877 million. 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 2018 (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 2018 (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.

(ii) 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 2018 (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:

	2018	2017
	€'000	€'000
United Kingdom	5,205	5,498
European Union	34,205	32,278
USA	53	106
Rest of the world	11,801	12,443
	51,264	50,325

3 Directors' emoluments

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

	2018	2017
Aggregate emoluments	251	246

Information regarding the highest paid director is as follows:

	2018	2017
	€'000	€'000
Emoluments	251	227
Pension contributions to defined benefit scheme	-	-

No directors have been accruing benefits under defined contribution scheme or defined benefit scheme.

Only one Italian director was paid by the Company. For the other three 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 2018 (continued)

4 Employee information

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

	2018	2017
	Number	Number
Production	260	283
Distribution and selling	17	14
Administration	8	9
	285	306

The average number of employees employed on temporary contracts in 2018 were 69 (2017: 82).

The average number of employees directly employed in the UK in 2018 were 10 (2017: 16)

	2018	2017
	€'000	€'000
Staff costs (for the above persons)		
Wages and salaries	5,106	5,880
Social security costs	1,270	1,368
Other pension costs	343	258
	6,719	7,506

Total pension costs relating to defined contribution plans was €78 thousand (2017: €94 thousand)

5 Operating profit/(loss)

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

	2018	2017
	€'000	€'000
Intangible fixed assets		
- Amortisation	257	800
- Impairment	26	274
Tangible fixed assets		
- Depreciation on owned	482	496
- Impairment	-	-
Operating lease rentals		
- Land and Buildings	645	818
- Plant and Machinery	142	133
Auditors' remuneration		
- Audit services – for audit of company	76	71
- Non-audit services – tax compliance	15	14
Remuneration received by auditors' member firms (non-UK)		
- Other services pursuant to legislation	15	14

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Operating profit/(loss) (continued)

	2018	2017
	€'000	€'000
- Restructuring costs	-	400
- Exceptional litigation costs	(54)	318

6 Income from shares in group undertakings

	2018	2017
	€'000	€'000
Dividend income	49	36
	49	36

7 Interest (payable)/receivable and similar charges

	2018	2017
	€'000	€'000
Interest payable on bank loans and overdrafts	(113)	(111)
Pension interest income	344	327
Pension interest cost	(395)	(435)
Loss on fixed asset disposal	(9)	(4)
(Loss)/profit in foreign exchange	(261)	254
	(434)	31

8 Taxation

a) Analysis of charge in the year

	2018	2017
	€'000	€'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustment in respect of the previous year	175	10
	175	10
Foreign operation tax	154	51
Total current tax charge	329	61

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Taxation (continued)

	2018 €'000	2017 €'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	329	61

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:

	2018 €'000	2017 €'000
(Loss)/profit on ordinary activities before taxation	(56)	(1,664)
Tax charge on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%)	(11)	(320)
Effects of:		
Expenses not deductible for tax purposes	1	4
Income not taxable	(7)	(6)
Effects of overseas tax rates	122	40
Adjustments in respect of prior years	175	10
Deferred tax not provided	49	333
Total tax charge for the year	329	61

c) Factors affecting future tax charges

During 2017, the UK Government enacted a reduction in the rate of corporation tax from 19% 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 2018.

Notes to the financial statements for the year ended 31 December 2018

8 Taxation (continued)

d) Factors affecting deferred tax charge

Provision for deferred tax comprises:

	2018 €'000	2017 €'000
Deferred tax asset - relating to pensions	-	-
Deferred tax liability – accelerated capital allowances	-	-
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 €25.8m (2017: €25.4m)

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

	€'000
At 1 January 2018	-
Deferred tax (charge)/credit in Income Statement	-
Deferred tax (charge)/credit in Statement of comprehensive Income	-
At 31 December 2018	-

Notes to the financial statements for the year ended 31 December 2018

9 Intangible Fixed Assets

	Development costs €'000	Software costs €'000	Total €'000
Cost			
At 1 January 2018	7,869	14	7,883
Additions	-	-	
At 31 December 2018	7,869	14	7,883
Amortisation			
At 1 January 2018	7,587	12	7,599
Amortisation charge for year	256	1	257
Impairment	26	-	26
At 31 December 2018	7,869	13	7,882
Net book value			
At 31 December 2018	-	1	1
At 31 December 2017	282	2	284

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 2018 (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 2018	5,973	2,146	2	8,121
Additions	48	116	264	428
Transfers	86	34	(120)	-
Disposals	(203)	(29)	-	(232)
At 31 December 2018	5,904	2,267	146	8,317
Depreciation				
At 1 January 2018	5,225	1,870	-	7,095
Depreciation Charge for year	337	145	-	482
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	(183)	(28)	-	(211)
At 31 December 2018	5,379	1,987	-	7,366
Net book value				
At 31 December 2018	525	280	146	951
At 31 December 2017	748	276	2	1,026

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Fixed Asset Investments

	€'000
As at 1 January 2018 and 31 December 2018	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, Wilshire, 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

	2018 €'000	2017 €'000
Raw materials and consumables	6,729	5,316
Work in progress	493	522
Finished goods and goods for resale	311	336
	7,533	6,174

13 Debtors: amounts falling due within one year

	2018 €'000	2017 €'000
Amounts falling due within one year		
Trade debtors	10,553	9,653
Other debtors	1,086	175
Corporation tax recoverable	13	163
Other taxes and social income	180	243
Prepayments and accrued income	388	491
	12,220	10,725

Other debtors include an €0.9 million receivable for the reimbursement of legal and administration costs following this issue of the ICC arbitration panels final award on 21st May 2019. Associated to ICC arbitration proceedings with a Romarsh Ltd customer.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Creditors: amounts falling due within one year

	2018	2017
	€'000	€'000
Bank overdraft (note 16)	13,229	10,182
Amounts due to group undertakings	5,118	4,109
Trade creditors	2,396	2,487
Other taxation and social security	-	10
Dilapidation provision	278	271
Accruals and deferred income	2,071	1,744
	23,092	18,803

Currently there are no set repayments terms on the amounts due to group undertakings. Interest on the amounts are charged within a range of 0.55% to 1.25%.

15 Creditors: amounts falling after more than one year

	2018	2017
	€'000	€'000
Amounts owed to group undertakings	1,261	1,421
	1,261	1,421

16 Loans

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

	2018	2017
	€'000	€'000
Amounts falling due within one year or on demand:		
Bank Overdraft	9,724	10,182
Bank Loan	3,505	-
	13,229	10,182

In 2018 the business opened a new credit facility with one new bank and took out a short term loan for one year in duration with another.

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Provision for liabilities

	2018 €'000	2017 €'000
Dilapidation provision	93	382
Provisions	380	380
	<u>473</u>	<u>762</u>

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

18 Operating lease commitments

At 31 December 2018, the total of future minimum lease payments under non-cancellable operating lease as follows:

	2018		2017	
	Land and buildings €'000	Other €'000	Land and buildings €'000	Other €'000
Expiring within one year	451	109	599	90
Expiring between two and five years	293	115	700	118
Expiring over five years	43	-	-	-
	<u>787</u>	<u>224</u>	<u>1,299</u>	<u>208</u>

In July 2018 the business renegotiated a new operating lease on its Indian Branch.

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Called up share capital

	2018	2017
	€'000	€'000
Ordinary Shares at £1 each		
At 1 January 2017	15,368	15,368
At 31 December 2018	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.

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:

	2018	2017
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	2.3	2.3
Discount rate	2.8	2.5
Rate of inflation	3.2	3.2

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 2018 (continued)

21 Employee benefit obligations (continued)

The mortality assumptions used were as follows:

	2018 Years	2017 Years
Longevity at age 45:		
– Men	21.8	21.9
– Women	23.7	23.7
Longevity at age 65:		
– Men	22.8	23.0
– Women	24.9	25.0

The Assets and Liabilities of the scheme at 31 December:

	2018 €000	2017 €000
Equities	10,044	10,736
Bonds	2,821	2,669
Cash	359	285
Fair value of scheme assets	13,224	13,690
Present value of scheme liabilities	(15,004)	(16,169)
Deficit in scheme	(1,780)	(2,479)

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

	2018 €'000	2017 €'000
1 January	16,169	17,911
Expenses	90	116
Interest cost	395	435
Benefits paid	(575)	(1,088)
Loss/(gain) due to benefit changes	131	-
Actuarial (gain)/loss	(1,013)	(514)
Foreign currency (gain)/loss	(193)	(691)
31 December	15,004	16,169

The GMP equalisation impact to the scheme realised an addition of 0.85% to the scheme's liabilities, equating to increase of €131 thousand.

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 £0.852 million followed by further £1.8 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 2018 (continued)

21 Employee benefit obligations (continued)

Reconciliation of present value of scheme assets

	2018 €'000	2013 €'000
1 January	13,690	13,100
Actuarial gains (loss)	(1,096)	839
Interest income	344	327
Benefits paid	(575)	(1,088)
Contributions paid by employer	1,026	1,018
Foreign currency gain/(loss)	(163)	(506)
31 December	13,224	13,690

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:	2018 €'000	2017 €'000
Interest cost	395	435
Interest income	(344)	(327)
Net Interest cost/(income)	51	108
Expenses	90	116
Loss/(gain) due to benefit changes	131	-
Foreign currency (gain)/loss	(28)	(185)
31 December Net cost/(income)	244	39

Recognised in other comprehensive income:	2018 €'000	2017 €'000
Return on plan assets	1,096	(839)
Experience gains and losses arising on the plan liabilities	(498)	(169)
Effects of changes in demographics and financial assumptions	(515)	(345)
31 December	83	(1,353)

Notes to the financial statements for the year ended 31 December 2018 (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 (2017: nil) owed to the Company by any of the directors at 31 December 2018.

23 Contingent Liability

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

24 Post Balance Sheet Events

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. On the 21st May 2019, the ICC arbitration panel issued its final award, dismissing all of the customers claims against the company. At the balance sheet date, all accounting adjustments have been made in relation to this claim within the operating result ended 31st December 2018.

Tamura-Europe Limited has been the principal employer and sole participating employer of the Tamura Hinchley Limited Pension Scheme. On 28 June 2019, a new company Tamura Pension UK Limited (company number 11802906) was admitted to participation in the Scheme as a statutory employer and was substituted as principal employer of the Scheme. Tamura Europe Limited ceased to participate in the Tamura Hinchley Pension Scheme with effect from 29 June 2019. The Company approached T.H.L. Pensions Limited (company number 02631462) (the "Trustee") as sole corporate trustee of the Scheme with a view to obtaining its consent to the apportionment of all of Tamura Europe Limited's liabilities in relation to the Scheme to Tamura Pension UK Limited (as the new principal employer of the Scheme) under a flexible apportionment arrangement ("FAA").

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 2018. The consolidated financial statements of Tamura Corporation are available from:

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