

**Company Registration No. 3501220**

**KYOSHIN EUROPE LIMITED**

**Report and Financial Statements**

**31 March 2003**

**Deloitte & Touche LLP**  
**Nottingham**



**REPORT AND FINANCIAL STATEMENTS 2003**

| <b>CONTENTS</b>                                 | <b>Page</b> |
|---|-------------|
| <b>Directors' report</b>                        | <b>1</b>    |
| <b>Statement of directors' responsibilities</b> | <b>2</b>    |
| <b>Independent auditors' report</b>             | <b>3</b>    |
| <b>Profit and loss account</b>                  | <b>4</b>    |
| <b>Balance sheet</b>                            | <b>5</b>    |
| <b>Cash flow statement</b>                      | <b>6</b>    |
| <b>Notes to the accounts</b>                    | <b>7</b>    |

**DIRECTORS' REPORT**

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

**ACTIVITIES**

The company's principal activity is the supply and fabrication of materials for the automobile and home electronic product industries.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The directors are pleased with the improved performance and are confident of the future profitability of the company.

**DIVIDENDS**

The results for the year are set out on page 4. The directors do not recommend the payment of a dividend.

**DIRECTORS AND THEIR INTERESTS**

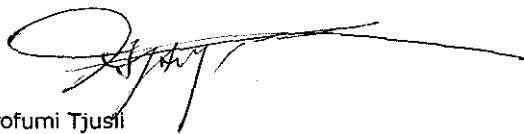
The directors who served throughout the year, as listed below, had no direct interest in the share capital of the company as at 31 March 2003 (31 March 2002 - nil):

Yasusuke Endo  
Yasuo Yoneda  
Akihiro Endo  
Hirofumi Tsujii (Appointed 1 July 2003)

**AUDITORS**

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Approved by the Board of Directors  
and signed on behalf of the Board



Hirofumi Tsujii  
Director  
26 January 2004

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KYOSHIN EUROPE LIMITED

We have audited the financial statements of Kyoshin Europe Limited for the year ended 31 March 2003, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Nottingham

*24<sup>th</sup> February 2004*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2003**

|   | <b>Note</b> | <b>2003</b><br><b>£</b>   | <b>2002</b><br><b>£</b>   |
|---|-------------|---------------------------|---------------------------|
| <b>TURNOVER: continuing operations</b>                | 2           | 2,225,047                 | 1,453,153                 |
| Cost of sales   |             | (1,764,812)               | (1,075,700)               |
| <b>Gross profit</b>                                   |             | <u>460,235</u>            | <u>377,453</u>            |
| Distribution costs                                    |             | (22,173)                  | (18,851)                  |
| Administrative expenses                               |             | (419,381)                 | (387,733)                 |
| Other operating income                                |             | 1,873                     | -                         |
| Net operating expenses                                |             | <u>(439,681)</u>          | <u>(406,584)</u>          |
| <b>OPERATING PROFIT/(LOSS): continuing operations</b> | 4           | 20,554                    | (29,131)                  |
| Interest receivable and similar income                | 5           | 377                       | 7                         |
| Interest payable and similar charges                  | 6           | (27,448)                  | (28,432)                  |
| <b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>           |             | <u>(6,517)</u>            | <u>(57,556)</u>           |
| <b>Accumulated losses brought forward</b>             |             | <u>(1,440,928)</u>        | <u>(1,383,372)</u>        |
| <b>Accumulated losses carried forward</b>             |             | <u><u>(1,447,445)</u></u> | <u><u>(1,440,928)</u></u> |

There are no recognised gains and losses for the current financial year and the preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

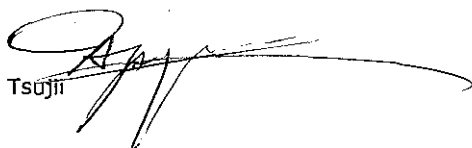
### BALANCE SHEET 31 March 2003

|  | Note | 2003<br>£   | 2002<br>£   |
|--|------|-------------|-------------|
| <b>FIXED ASSETS</b>  |      |             |             |
| Tangible assets  | 8    | 1,102,866   | 1,191,142   |
| <b>CURRENT ASSETS</b>  |      |             |             |
| Stocks   | 9    | 199,380     | 168,575     |
| Debtors  | 10   | 455,763     | 368,428     |
| Cash at bank and in hand                                       |      | 156,156     | 137,246     |
|  |      | 811,299     | 674,249     |
| <b>CREDITORS: amounts falling due within one year</b>          | 11   | (1,774,172) | (1,715,243) |
| <b>NET CURRENT LIABILITIES</b>                                 |      | (962,873)   | (1,040,994) |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | 139,993     | 150,148     |
| <b>CREDITORS: amounts falling due after more than one year</b> | 12   | (87,438)    | (91,076)    |
| <b>NET ASSETS</b>  |      | 52,555      | 59,072      |
| <b>CAPITAL AND RESERVES</b>                                    |      |             |             |
| Called up share capital  | 14   | 1,500,000   | 1,500,000   |
| Profit and loss account  |      | (1,447,445) | (1,440,928) |
| <b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>                        | 15   | 52,555      | 59,072      |

These financial statements were approved by the Board of Directors on 26 January 2004 .

Signed on behalf of the Board of Directors

Hirofumi Tsujii  
Director



**CASH FLOW STATEMENT**  
**Year ended 31 March 2003**

|  | <b>Note</b> | <b>2003</b><br><b>£</b> | <b>2002</b><br><b>£</b> |
|--|-------------|-------------------------|-------------------------|
| <b>Net cash inflow / (outflow) from operating activities</b> | 19          | 96,562                  | (78,796)                |
| <b>Returns on investments and servicing of finance</b>       | 20          | (27,071)                | (28,425)                |
| <b>Capital expenditure</b>                                   | 20          | 1,744                   | (27,438)                |
| <b>Net cash inflow / (outflow) before financing</b>          |             | 71,235                  | (134,659)               |
| <b>Financing</b>   | 20          | (52,325)                | 173,601                 |
| <b>Increase in cash in the year</b>                          |             | 18,910                  | 38,942                  |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (note 21)**

|  | <b>£</b>    | <b>£</b>    |
|--|-------------|-------------|
| Increase in cash in the year   | 18,910      | 38,942      |
| Cash outflow / (inflow) from decrease / (increase) in debt and lease financing | 52,325      | (173,601)   |
| Movement in net debt in the year   | 71,235      | (134,659)   |
| Net debt brought forward   | (1,301,034) | (1,166,375) |
| Net debt carried forward   | (1,229,799) | (1,301,034) |



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003****1 ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Tangible fixed assets**

With the exception of leasehold land, depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

|                        |                           |
|------------------------|---------------------------|
| Tenant's improvements  | 4% straight line basis    |
| Leasehold land         | Not depreciated           |
| Plant and machinery    | 25% straight line basis   |
| Fixtures and furniture | 25% straight line basis   |
| Computer equipment     | 33.3% straight line basis |

**Stocks**

Stocks and work in progress, other than on long-term contracts, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

**Deferred taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

**Leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rentals in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal amounts over the lease term.

**Grants**

Under SSAP 4, the grant received is treated as deferred income which is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

**Pension costs**

The company operates a defined contribution pension scheme. The charge for the pension costs in the profit and loss account represents the contributions payable by the company under the rules of the scheme.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**1 ACCOUNTING POLICIES (continued)**

**Going concern**

The company's ability to continue as a going concern is dependent upon the ongoing support of the parent company, Kyoshin Co Limited. The directors have received confirmation of this unconditional support from the parent company and have prepared financial forecasts in support of their view, that it is appropriate to prepare the financial statements on a going concern basis.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

**2 TURNOVER**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

The turnover is attributable to a single activity, the supply and fabrication of materials for the automobile and home electronic product industries.

Geographical analysis of turnover:

|                | <b>2003</b>      | <b>2002</b>      |
|----------------|------------------|------------------|
|                | <b>£</b>         | <b>£</b>         |
| United Kingdom | 2,175,637        | 1,268,045        |
| Europe         | 12,971           | 36,738           |
| Other          | 36,439           | 148,370          |
|                | <u>2,225,047</u> | <u>1,453,153</u> |

**3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

|                                | <b>2003</b>    | <b>2002</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>£</b>       | <b>£</b>       |
| <b>Directors' remuneration</b> |                |                |
| Emoluments                     | <u>114,951</u> | <u>105,596</u> |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

|   | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|
|   | <b>No.</b>  | <b>No.</b>  |
| <b>Average number of persons employed</b> |             |             |
| Directors                                 | 1           | 1           |
| Production                                | 14          | 13          |
| Sales and administration                  | 4           | 3           |
|   | <u>19</u>   | <u>17</u>   |

|  | <b>2003</b>    | <b>2002</b>    |
|--|----------------|----------------|
|  | <b>£</b>       | <b>£</b>       |
| <b>Staff costs during the year (including directors)</b> |                |                |
| Wages and salaries                                       | 439,631        | 389,719        |
| Social security costs                                    | 17,622         | 19,151         |
| Pension costs  | 3,949          | 4,326          |
|  | <u>461,202</u> | <u>413,196</u> |

**4 OPERATING PROFIT/(LOSS)**

|   | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| <b>Operating profit/(loss) is after charging:</b> |             |             |
| Depreciation                                      |             |             |
| Owned assets                                      | 94,232      | 123,755     |
| Rentals under operating leases                    |             |             |
| Plant and machinery - operating leases            | 3,434       | 1,088       |
| Other operating leases                            | 32,198      | 29,469      |
| Auditors' remuneration                            | 6,000       | 6,000       |
| Other accountancy services                        | 11,350      | 10,275      |
|   | <u></u>     | <u></u>     |
| <b>and after crediting:</b>                       |             |             |
| Sundry income                                     | 1,873       | -           |
| Profit on disposal of fixed assets                | 7,700       | 3,101       |
| Amortisation of grant                             | 12,231      | 12,231      |
|   | <u></u>     | <u></u>     |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**5 INTEREST RECEIVABLE AND SIMILAR INCOME**

|               | <b>2003</b> | <b>2002</b> |
|---------------|-------------|-------------|
|               | <b>£</b>    | <b>£</b>    |
| Bank interest | 377         | 7           |
|               | <u>377</u>  | <u>7</u>    |

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

|                           | <b>2003</b>   | <b>2002</b>   |
|---------------------------|---------------|---------------|
|                           | <b>£</b>      | <b>£</b>      |
| Bank loans and overdrafts | 27,448        | 28,432        |
|                           | <u>27,448</u> | <u>28,432</u> |

**7 TAX ON LOSS ON ORDINARY ACTIVITIES**

**Tax charge for the year**

|                                | <b>2003</b> | <b>2002</b> |
|--------------------------------|-------------|-------------|
|                                | <b>£</b>    | <b>£</b>    |
| <i>Current taxation</i>        |             |             |
| United Kingdom corporation tax | -           | -           |
|                                | <u>-</u>    | <u>-</u>    |

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following tax reconciliation:

**Reconciliation of current tax**

|   | <b>2003</b>    | <b>2002</b>     |
|---|----------------|-----------------|
|   | <b>£</b>       | <b>£</b>        |
| Loss on ordinary activities before taxation         | (6,517)        | (57,556)        |
|   | <u>(6,517)</u> | <u>(57,556)</u> |
| Tax on loss on ordinary activities at standard rate | (1,955)        | (17,267)        |
| <i>Factors affecting charge for the year:</i>       |                |                 |
| Expenses not deductible for tax purposes            | 2,091          | (3,628)         |
| Capital allowances in excess of depreciation        | 8,863          | 37,905          |
| Losses not recognised                               | -              | (17,010)        |
| Brought forward losses used                         | (8,999)        | -               |
|   | <u>(8,999)</u> | <u>-</u>        |
| Total actual amount of current tax                  | <u>-</u>       | <u>-</u>        |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**7 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

**Analysis of deferred tax balances**

|                                | <b>Provided/<br/>(recognised)<br/>2003<br/>£</b> | <b>Provided/<br/>(recognised)<br/>2002<br/>£</b> | <b>Not<br/>provided/<br/>(recognised)<br/>2003<br/>£</b> | <b>Not<br/>provided/<br/>(recognised)<br/>2002<br/>£</b> |
|--------------------------------|--|--|--|--|
| Accelerated capital allowances | 171,578  | 179,464  | -  | -  |
| Trade losses                   | (171,578)  | (179,464)  | (386,943)  | (386,335)  |
|                                | -  | -  | (386,943)  | (386,335)  |

A deferred tax asset has not been recognised in respect of these losses as the company does not anticipate taxable trading profits within the immediate future.

There are trading losses to carry forward to set off against future profits of the same trade of approximately £1,862,000 (2002 - £1,892,000)

**8 TANGIBLE FIXED ASSETS**

|                                 | <b>Tenant's<br/>improvements<br/>£</b> | <b>Leasehold<br/>land<br/>£</b> | <b>Plant and<br/>machinery<br/>£</b> | <b>Fixtures,<br/>computers and<br/>furniture<br/>£</b> | <b>Total<br/>£</b> |
|---------------------------------|--|---------------------------------|--------------------------------------|--|--------------------|
| <b>Cost</b>                     |  |                                 |                                      |  |                    |
| At 1 April 2002                 | 876,151                                | 348,836                         | 376,199                              | 42,236   | 1,643,422          |
| Additions in year               | -                                      | -                               | -                                    | 5,956  | 5,956              |
| At 31 March 2003                | 876,151                                | 348,836                         | 376,199                              | 48,192   | 1,649,378          |
| <b>Accumulated depreciation</b> |  |                                 |                                      |  |                    |
| At 1 April 2002                 | 113,448                                | -                               | 298,000                              | 40,832   | 452,280            |
| Charge in year                  | 35,046                                 | -                               | 57,048                               | 2,138  | 94,232             |
| At 31 March 2003                | 148,494                                | -                               | 355,048                              | 42,970   | 546,512            |
| <b>Net book value</b>           |  |                                 |                                      |  |                    |
| At 31 March 2003                | 727,657                                | 348,836                         | 21,151                               | 5,222  | 1,102,866          |
| At 31 March 2002                | 762,703                                | 348,836                         | 78,199                               | 1,404  | 1,191,142          |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**9 STOCKS**

|                | <b>2003</b>    | <b>2002</b>    |
|----------------|----------------|----------------|
|                | <b>£</b>       | <b>£</b>       |
| Raw materials  | 81,621         | 84,269         |
| Finished goods | 117,759        | 84,306         |
|                | <u>199,380</u> | <u>168,575</u> |

**10 DEBTORS**

|                                | <b>2003</b>    | <b>2002</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>£</b>       | <b>£</b>       |
| Trade debtors                  | 451,146        | 345,582        |
| Other debtors                  | -              | 14,015         |
| Prepayments and accrued income | 4,617          | 8,831          |
|                                | <u>455,763</u> | <u>368,428</u> |

All amounts are due within one year.

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                   | <b>2003</b>      | <b>2002</b>      |
|-----------------------------------|------------------|------------------|
|                                   | <b>£</b>         | <b>£</b>         |
| Bank loan (note 13)               | 1,385,955        | 1,438,280        |
| Trade creditors                   | 87,374           | 39,410           |
| Amounts due to group undertakings | 205,704          | 146,009          |
| Other taxes and social security   | 72,419           | 82,611           |
| Other creditors                   | 2,401            | 2,333            |
| Accruals and deferred income      | 20,319           | 6,600            |
|                                   | <u>1,774,172</u> | <u>1,715,243</u> |

The bank loan bears an interest rate of 2% and is secured by a cross guarantee from the ultimate holding company, Kyoshin Co Limited.

### NOTES TO THE ACCOUNTS Year ended 31 March 2003

#### 12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                              | 2003<br>£ | 2002<br>£ |
|------------------------------|-----------|-----------|
| Accruals and deferred income | 87,438    | 91,076    |

#### 13 BORROWINGS

|  | 2003<br>£ | 2002<br>£ |
|--|-----------|-----------|
| Bank loans and overdrafts                        | 1,385,955 | 1,438,280 |
| The maturity of the above amounts is as follows: |           |           |
| In one year or less, or on demand                | 1,385,955 | 1,438,280 |

#### 14 CALLED UP SHARE CAPITAL

|   | 2003<br>£ | 2002<br>£ |
|---|-----------|-----------|
| <b>Authorised</b>                         |           |           |
| 2,000,000 Ordinary shares of £1.00 each   | 2,000,000 | 2,000,000 |
| <b>Called up, allotted and fully paid</b> |           |           |
| 1,500,000 Ordinary shares of £1.00 each   | 1,500,000 | 1,500,000 |

#### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|   | 2003<br>£ | 2002<br>£ |
|---|-----------|-----------|
| Loss attributable to members of the company | (6,517)   | (57,556)  |
| Opening shareholders' funds                 | 59,072    | 116,628   |
| Closing shareholders' funds                 | 52,555    | 59,072    |

### NOTES TO THE ACCOUNTS Year ended 31 March 2003

#### 16 OPERATING LEASE COMMITMENTS

At 31 March 2003 the company was committed to making the following payments during the next year in respect of operating leases:

|                          | Land and<br>buildings<br>2003<br>£ | Other<br>2003<br>£ | Land and<br>buildings<br>2002<br>£ | Other<br>2002<br>£ |
|--------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Leases which expire:     |                                    |                    |                                    |                    |
| Within one year          | -                                  | 8,511              | 4,352                              | 9,534              |
| Within two to five years | -                                  | 14,527             | -                                  | 6,961              |
|                          | -                                  | 23,038             | 4,352                              | 16,495             |

#### 17 ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Nitto Denko, a company registered in Japan. They own 51% of the share capital in Kyoshin Co Limited, a company registered in Japan, who controls Kyoshin Europe Limited.

#### 18 RELATED PARTY TRANSACTIONS

During the year the company purchased £248,661 (2002 - £74,705) of raw materials from Kyoshin Co Limited, and owed £91,291 (2002 - £18,433) to them at the year-end.

The company also purchased £663,511 (2002 - £646,800) of raw materials from Nitto Europe Limited, and owed £114,114 (2002 - £103,503) to them at the year-end.

#### 19 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

|   | 2003<br>£ | 2002<br>£ |
|---|-----------|-----------|
| Operating profit / (loss)                             | 20,554    | (29,131)  |
| Depreciation charge                                   | 94,232    | 123,755   |
| Net profit on sale of tangible fixed assets           | (7,700)   | (3,101)   |
| Increase in stocks                                    | (30,805)  | (101,896) |
| Increase in debtors                                   | (87,335)  | (175,950) |
| Increase in creditors                                 | 107,616   | 107,527   |
| Net cash inflow / (outflow) from operating activities | 96,562    | (78,796)  |



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2003**

**20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

|  | <b>2003</b>     | <b>2002</b>     |
|--|-----------------|-----------------|
|  | <b>£</b>        | <b>£</b>        |
| <b>Returns on investments and servicing of finance</b> |                 |                 |
| Interest received                                      | 377             | 7               |
| Interest paid  | (27,448)        | (28,432)        |
|  | <u>(27,071)</u> | <u>(28,425)</u> |
| <b>Capital expenditure</b>                             |                 |                 |
| Payments to acquire tangible fixed assets              | (5,956)         | (33,560)        |
| Receipts from sales of tangible fixed assets           | 7,700           | 6,122           |
|  | <u>1,744</u>    | <u>(27,438)</u> |
| <b>Financing</b>                                       |                 |                 |
| Repayment of borrowings                                | (52,325)        | 173,601         |

**21 ANALYSIS OF NET DEBT**

|                          | <b>At<br/>1 April<br/>2002<br/>£</b> | <b>Cash<br/>flow<br/>£</b> | <b>At<br/>31 March<br/>2003<br/>£</b> |
|--------------------------|--------------------------------------|----------------------------|---------------------------------------|
| Cash at bank and in hand | 137,246                              | 18,910                     | 156,156                               |
| Debt due within one year | (1,438,280)                          | 52,325                     | (1,385,955)                           |
| Total                    | <u>(1,301,034)</u>                   | <u>71,235</u>              | <u>(1,229,799)</u>                    |