

Company Registration No. 3501220

KYOSHIN EUROPE LIMITED

Report and Financial Statements

31 March 2002

Deloitte & Touche
Nottingham



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KYOSHIN EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

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 results of the company have improved compared to last year although the company has made a loss. The directors are confident that the turnover and profitability of the company will continue to improve in the forthcoming year.

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 2002 (31 March 2001 - nil):

Yasusuke Endo
Yasuo Yoneda
Akihiro Endo

AUDITORS

Pursuant to S386 an elective resolution has been passed to prevent the need for the annual reappointment of auditors. Therefore Deloitte & Touche are deemed to be reappointed.

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



Yasuo Yoneda
Secretary

KYOSHIN EUROPE LIMITED**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 2002, which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
Nottingham

16th October 2002

KYOSHIN EUROPE LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 March 2002

	Note	2002 £	2001 £
TURNOVER: continuing operations	2	1,453,153	624,281
Cost of sales		(1,075,700)	(497,357)
Gross profit		377,453	126,924
Distribution costs		(18,851)	(27,212)
Administrative expenses		(387,733)	(413,893)
Total operating expenses		(406,584)	(441,105)
OPERATING LOSS: continuing operations	4	(29,131)	(314,181)
Interest receivable and similar income	5	7	1,286
Interest payable and similar charges	6	(28,432)	(20,377)
RETAINED LOSS FOR THE FINANCIAL YEAR		(57,556)	(333,272)
Accumulated losses brought forward		(1,383,372)	(1,050,100)
Accumulated losses carried forward		(1,440,928)	(1,383,372)


There are no recognised gains or 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.

KYOSHIN EUROPE LIMITED
**BALANCE SHEET
31 March 2002**

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	1,191,142	1,284,358
CURRENT ASSETS			
Stocks	9	168,575	66,679
Debtors	10	368,428	192,478
Cash at bank and in hand		137,246	98,304
		674,249	357,461
CREDITORS: amounts falling due within one year	11	(1,715,243)	(275,769)
NET CURRENT (LIABILITIES)/ASSETS		(1,040,994)	81,692
TOTAL ASSETS LESS CURRENT LIABILITIES		150,148	1,366,050
CREDITORS: amounts falling due after more than one year	12	(91,076)	(1,249,422)
NET ASSETS		59,072	116,628
CAPITAL AND RESERVES			
Called up share capital	15	1,500,000	1,500,000
Profit and loss account		(1,440,928)	(1,383,372)
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	59,072	116,628

These financial statements were approved by the Board of Directors on 15 October 2002.

Signed on behalf of the Board of Directors


Yasuo Yoneda
Director

KYOSHIN EUROPE LIMITED**NOTES TO THE ACCOUNTS
Year ended 31 March 2002****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, computers and furniture	25% straight line basis (Office equipment) and 33.3% straight line basis (Computer equipment)

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 are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

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.

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
1 ACCOUNTING POLICIES (continued)
Going concern

The company's ability to continue as a going concern is dependent upon the ongoing support of its 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.

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.

Geographical analysis of turnover:

	2002	2001
	£	£
United Kingdom	1,268,045	427,275
Europe	36,738	70,739
Other	148,370	126,267
	<u>1,453,153</u>	<u>624,281</u>

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002	2001
	£	£
Directors' remuneration		
Emoluments (excluding pension contributions)	<u>105,596</u>	<u>71,948</u>

	2002	2001
	No.	No.
Average number of persons employed		
Directors	1	1
Production	13	7
Sales and administration	3	4
	<u>17</u>	<u>12</u>

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2002	2001
	£	£
Staff costs during the year (including directors)		
Wages and salaries	389,719	285,473
Social security costs	19,151	37,037
Pension costs	4,326	6,575
	<u>413,196</u>	<u>329,085</u>

4 OPERATING LOSS

	2002	2001
	£	£
Operating loss is after charging:		
Depreciation		
Owned assets	123,755	151,192
Rentals under operating leases		
Plant and machinery - operating leases	1,088	-
Other operating leases	29,469	32,224
Auditors' remuneration	6,000	10,250
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of fixed assets	3,101	-
Amortisation of grant	12,231	12,231
	<u> </u>	<u> </u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£	£
Interest receivable and similar income	7	1,286
	<u> </u>	<u> </u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Bank loans and overdrafts	28,432	20,377
	<u> </u>	<u> </u>

KYOSHIN EUROPE LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002	2001
	£	£
Loss on ordinary activities before taxation	(57,556)	(333,272)
Tax on profit on ordinary activities at standard rate	(17,267)	(99,982)
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	(3,628)	(2,729)
Capital allowances in excess of depreciation	37,905	45,448
Losses not recognised	(17,010)	57,263
Total actual amount of current tax	-	-

There is no taxation payable based on the results for the year. In addition, there are trading losses carried forward of £1,870,000 (2001 - £1,900,000) available for future relief.

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
8 TANGIBLE FIXED ASSETS

	Tenant's improvements £	Leasehold land £	Plant and machinery £	Fixtures, computers and furniture £	Total £
Cost					
At 1 April 2001	876,151	348,836	342,639	48,358	1,615,984
Additions in year	-	-	33,560	-	33,560
Disposals in year	-	-	-	(6,122)	(6,122)
At 31 March 2002	876,151	348,836	376,199	42,236	1,643,422
Accumulated depreciation					
At 1 April 2001	78,402	-	213,635	39,589	331,626
Charge in year	35,046	-	84,365	4,344	123,755
Disposals in year	-	-	-	(3,101)	(3,101)
At 31 March 2002	113,448	-	298,000	40,832	452,280
Net book value					
At 31 March 2002	762,703	348,836	78,199	1,404	1,191,142
At 31 March 2001	797,749	348,836	129,004	8,769	1,284,358

9 STOCKS

	2002 £	2001 £
Raw materials	84,269	47,409
Finished goods	84,306	19,270
	168,575	66,679

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
10 DEBTORS

	2002	2001
	£	£
Trade debtors	345,582	152,485
Amounts due from group undertakings	-	35,600
Other debtors	14,015	-
Prepayments and accrued income	8,831	4,393
	<u>368,428</u>	<u>192,478</u>

All amounts are due within one year.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Bank loan (note 13)	1,438,280	118,564
Trade creditors	39,410	14,963
Amounts due to group undertakings	146,009	115,045
Other taxes and social security	82,611	(1,275)
Other creditors	2,333	590
Accruals and deferred income	6,600	27,882
	<u>1,715,243</u>	<u>275,769</u>

During the year the bank loan was rescheduled and is now fully repayable within one year.

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

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£	£
Bank loans (note 13)	-	1,146,115
Deferred Grant	91,076	103,307
	<u>91,076</u>	<u>1,249,422</u>

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
13 BORROWINGS

	2002	2001
	£	£
Bank loans and overdrafts	1,438,280	1,264,679
The maturity of the above amounts is as follows:		
In one year or less, or on demand	1,438,280	118,564
In more than one year but no more than two years	-	316,170
In more than two years but no more than five years	-	829,945
	1,438,280	1,264,679

14 PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided in the accounts are:

	Provided 2002	Provided 2001
	£	£
Accelerated capital allowances	-	216,379
Trade losses	-	(216,379)
	-	-

15 CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised		
2,000,000 Ordinary shares of £1.00 each	2,000,000	2,000,000
Called up, allotted and fully paid		
1,500,000 Ordinary shares of £1.00 each	1,500,000	1,500,000

KYOSHIN EUROPE LIMITED
NOTES TO THE ACCOUNTS
Year ended 31 March 2002
16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Loss attributable to members of the company	(57,556)	(333,272)
Opening shareholders' funds	116,628	449,900
Closing shareholders' funds	<u>59,072</u>	<u>116,628</u>

17 OPERATING LEASE COMMITMENTS

At 31 March 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Leases which expire:				
Within one year	4,352	9,534	-	-
Within two to five years	-	6,961	-	-
	<u>4,352</u>	<u>16,495</u>	<u>-</u>	<u>-</u>

18 ULTIMATE PARENT COMPANY

The ultimate parent company is Nitto Denko, a company registered in Japan. They own 51% of the share capital in Kyoshin Co Limited, who controls Kyoshin Europe Limited. Copies of the group accounts can be obtained from Kyoshin Limited.