



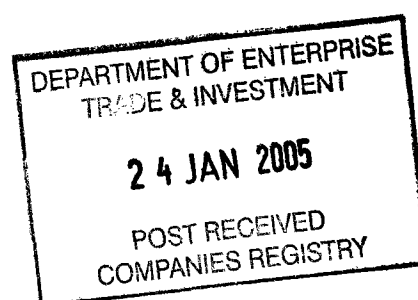
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# TK-ECC Limited

## Report and Accounts

31 March 2004

*Registered No. 2804315*



# TK-ECC Limited

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Registered No. 2804315

## **DIRECTORS**

Dr Heinrich Binder

Ms Gayle Hanlon

(Resigned 2<sup>nd</sup> June 2004)

## **SECRETARY**

Ms Gayle Hanlon

Mr Yoichiro Nomura

(Resigned 2<sup>nd</sup> June 2004)

(Appointed 2<sup>nd</sup> June 2004)

## **AUDITORS**

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast

BT2 7DT

## **BANKERS**

Bank of Ireland

Castlereagh Branch

1E Ballygowan Road

Belfast

BT5 7LH

## **SOLICITORS**

Cameron McKenna

Mitre House

160 Aldersgate Street

London

EC1A 4DD

## **REGISTERED OFFICE**

Mitre House

160 Aldersgate Street

London

EC1A 4DD

DIRECTORS' REPORT

The directors present their report for the year ended 31 March 2004.

**RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £31,600,240. The directors do not recommend the payment of a dividend.

**PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS**

The company's principal activity during the year was the manufacture of automotive components.

It was announced in February 2004 that the company's operations would be discontinued. Production ceased in March 2004.

The directors acknowledge that the company is no longer a going concern and the financial statements have been prepared on a break up basis. In addition to re-classifying all assets and liabilities as current, provisions have been made to reduce assets to their recoverable amounts and to recognise the estimated costs associated with closure

**DIRECTORS AND THEIR INTERESTS**

No director had any interest in the share capital of the company during the period.

The directors during the year were as listed on page 2.

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the period the company made no political or charitable contributions.

**AUDITORS**

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to members at the Annual General Meeting.

By order of the board

Secretary

Yoichiro Nomura



Date: 29 Oct. 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

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 and of the group and of the profit or loss of the group 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;
- state whether applicable 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 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 TK-ECC LIMITED**

We have audited the group's financial statements for the year ended 31 March 2004 which comprise the Group Profit and Loss Account, Group Balance Sheet, Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein and have been prepared on the break-up basis.

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 the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 group'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 affairs of the company and of the group as at 31 March 2004 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor  
Belfast

*Ernst & Young LLP*

*2 November 2004*

# TK-ECC Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2004

	Notes	2004 £	2003 £
<b>TURNOVER</b>	2	63,861,100	66,707,065
Cost of sales		(59,850,596)	(77,089,329)
<b>GROSS LOSS</b>		4,010,504	(10,382,264)
Selling and distribution costs		(1,114,081)	(4,024,309)
Administration costs		(2,542,294)	(3,606,133)
<b>GROUP OPERATING PROFIT/(LOSS)</b>	3	354,129	(18,012,706)
Other income	5	45,302	118,952
Bank interest receivable		104,592	57,180
Interest payable	6	(88,016)	(215,186)
Exceptional Write-down of Assets	7	-	(1,910,037)
Exceptional Costs due to Closure	8	(32,016,247)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(31,600,240)	(19,961,797)
Tax on loss on ordinary activities	9	-	-
<b>LOSS FOR THE YEAR</b>		(31,600,240)	(19,961,797)

No profit and loss account is presented for TK-ECC Limited as permitted by Section 230 of the Companies Act 1985. The loss dealt with in the accounts of the parent company is £31,600,240 (2003 – loss £19,961,797).

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2004

There are no recognised gains or losses other than the loss attributable to shareholders of the group of £31,600,240 in the year ended 31 March 2004 and the loss of £19,961,797 in the year ended 31 March 2003.

# TK-ECC Limited

## GROUP BALANCE SHEET as at 31 March 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	10	-	5,334,939
<b>CURRENT ASSETS</b>			
Tangible Assets	10	919,316	-
Stock	11	4,504,699	9,575,755
Debtors	12	10,528,203	12,613,184
Cash at bank and in hand		5,564,766	1,054,382
		<u>21,516,984</u>	<u>23,243,321</u>
<b>CREDITORS: amounts falling due within one year</b>			
Bank overdraft		-	682,000
Trade and other creditors	14	52,631,332	27,365,066
		<u>52,631,332</u>	<u>28,047,066</u>
<b>NET CURRENT LIABILITIES</b>		<u>(31,114,348)</u>	<u>(4,803,745)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(31,114,348)</u>	<u>531,194</u>
<b>ACCRUALS AND DEFERRED INCOME</b>			
Deferred government grants	15	-	45,302
		<u>(31,114,348)</u>	<u>485,892</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	50,600,100	50,600,100
Share premium account	17	3,225,330	3,225,330
Profit and loss account	17	(84,939,778)	(53,339,538)
		<u>(31,114,348)</u>	<u>485,892</u>



Heinrich Binder

Director

Date 29. Oct. 2004



# TK-ECC Limited

## BALANCE SHEET as at 31 March 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	10	-	5,334,939
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		<u>(31,114,348)</u>	<u>485,892</u>



Heinrich Binder

Director

Date 29 Oct 2004

# TK-ECC Limited

## GROUP CASH FLOW STATEMENT

For the year ended 31 March 2004

	<i>Notes</i>	<i>2004</i> £	<i>2003</i> £
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3(b)	5,540,471	(16,970,344)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		104,592	57,180
Interest paid		(88,016)	(215,186)
NET CASH INFLOW/(OUTFLOW) FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		16,576	(158,006)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,067,098)	(2,240,988)
Proceeds of asset disposals		702,435	429,529
Issue of ordinary share capital		-	20,000,000
NET CASH INFLOW/(OUTFLOW) FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(364,633)	18,188,541
CASH INFLOW BEFORE FINANCING		5,192,384	1,060,191
INCREASE IN CASH IN THE YEAR	13	5,192,384	1,060,191

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2004

1. ACCOUNTING POLICIES

***Fundamental Accounting Concept***

The financial statements have been prepared on a break-up basis reflecting the closure of the company's operations in March 2004. Accordingly, adjustments have been made to reduce the carrying value of assets to their estimated realisable amount, to provide for any further liabilities which will arise, and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Whilst the directors consider that the provisions made to reduce such assets to their recoverable amounts and the provision for costs of termination and closure of operations are fairly stated on the basis of the information currently available to them, the actual realisable values of assets and future closure costs may differ from those assumed in preparing these financial statements.

The directors of the company's ultimate parent undertaking acknowledge that there will be insufficient assets to repay the amount owed to group undertakings at 31 March 2004 and regard this amount as subordinated in priority to that of the third party creditors and will not seek repayment of these debts.

***Accounting convention***

The accounts are prepared under the historical cost convention.

***Fixed assets***

All fixed assets have been reclassified as current assets and are recorded at their net realisable value.

***Depreciation***

Up to the point of closure, depreciation had been provided on all tangible fixed assets on a straight-line basis over the expected useful lives. In March 2004 assets were written down to their net realisable value.

***Stock***

All stocks are carried at net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

***Foreign currencies***

Assets and liabilities are translated at rates of exchange ruling at the balance sheet date. Income and expenses are translated at average rates prevailing during the period.

Transactions in foreign currencies are recorded at the rate ruling at date of transaction.

All differences are taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2004

**Leasing and hire purchase commitments**

Assets held under finance lease and hire purchase contracts which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

**Basis of consolidation**

The group accounts consolidate the accounts of TK-ECC Limited and its subsidiary undertaking drawn up to 31 March each year.

**2. TURNOVER**

Turnover, which is stated net of value added tax, is attributable to one activity, being the manufacture of car components.

No analysis of turnover by class of business or geographical area has been disclosed as the directors feel this would be seriously prejudicial to the interests of the group.

**3. GROUP OPERATING PROFIT/(LOSS)**

(a) This is stated after charging:	2004	2003
	£	£
Auditors' remuneration		
- audit services	25,000	16,500
- non-audit services	20,000	10,100
Depreciation of fixed assets	1,277,286	2,682,713
Research and development	217,489	1,095,198
Operating lease rentals		
- plant and machinery	2,696	2,696
	<u>2,696</u>	<u>2,696</u>

**(b) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities:**

Operating profit/(loss)	354,129	(18,012,706)
Depreciation of Fixed Assets	1,277,286	2,682,713
Exceptional write-down of assets	3,503,000	-
Exceptional Items	(32,016,247)	-
(Profit) on sale of fixed assets	-	(11,729)
Decrease/(Increase) in debtors	2,084,981	1,194,691
Decrease/(Increase) in stocks	5,071,056	(3,798,575)
Increase in creditors	25,266,266	975,262
Cash inflow/(outflow) from operating activities	<u>5,540,471</u>	<u>(16,970,344)</u>

# TK-ECC Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 4. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	10,396,362	13,703,181
Social security costs	749,712	915,449
Other pension costs	1,117,311	741,636
	<u>12,263,385</u>	<u>15,360,266</u>

The average number of employees during the year was as follows:

	2004	2003
	No.	No.
Administration	39	42
Manufacturing	543	702
	<u>582</u>	<u>744</u>

### 5. OTHER INCOME

	2004	2003
	£	£
Grant income	<u>45,302</u>	<u>118,952</u>

### 6. INTEREST PAYABLE

	2004	2003
	£	£
Bank loans and overdrafts	<u>88,016</u>	<u>215,186</u>

### 7. EXCEPTIONAL WRITE-DOWN OF ASSETS

	2004	2003
	£	£
Impairment of tangible fixed assets	-	1,910,037
	<u>-</u>	<u>1,910,037</u>

Following a review of the company's fixed asset register in March 2003, assets from which a future economic benefit is not expected, have been written down to their net realisable value.

# TK-ECC Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 8. EXCEPTIONAL ITEMS

The following Exceptional Items have arisen as a result of the closure of TK-ECC

	2004	2003
	£	£
Asset Write-off	1,636,647	-
Redundancy Costs	6,383,982	-
Product Warranty	10,688,961	-
Other Closure Costs	4,156,657	-
ECC Pension Fund Settlement	9,150,000	-
	<u>32,016,247</u>	<u>-</u>

### 9. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no taxation charge for the year due to the incidence of taxation losses.

Taxation losses carried forward for the group and company as at 31 March 2004 are some £100 million (2003 - some £69m).

### 10. TANGIBLE FIXED ASSETS

#### Group and company

	Short leasehold land and buildings £	Plant equipment and tooling £	Computers, fixtures and fittings £	Total £
Cost:				
At 1 April 2003	233,695	24,795,896	989,358	26,018,949
Additions	1,335,582	724,177	157,339	2,217,098
Disposals	(1,150,000)	(4,534,697)	-	(5,684,697)
At 31 March 2004	<u>419,277</u>	<u>20,985,376</u>	<u>1,146,697</u>	<u>22,551,350</u>
Depreciation:				
At 1 April 2003	135,948	19,717,007	831,055	20,684,010
Charge for the year	22,549	1,195,710	59,027	1,277,286
Write-off on Closure	260,780	3,230,134	12,086	3,503,000
Disposals	-	(3,832,262)	-	(3,832,262)
At 31 March 2004	<u>419,277</u>	<u>20,310,589</u>	<u>902,168</u>	<u>21,632,034</u>
Net book value:				
At 31 March 2004	<u>-</u>	<u>674,787</u>	<u>244,529</u>	<u>919,316</u>
At 1 April 2003	<u>97,747</u>	<u>5,078,889</u>	<u>158,303</u>	<u>5,334,939</u>

At 31 March 2004 all plant and equipment was transferred to Current Assets, as explained in note 1.

# TK-ECC Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 11. STOCK

	<i>Group and company</i>	
	<i>2004</i>	<i>200</i>
	<i>£</i>	<i>£</i>
Raw materials and components	4,320,275	8,285,715
Finished goods	184,424	1,290,040
	<u>4,504,699</u>	<u>9,575,755</u>

### 12. DEBTORS

	<i>Group and company</i>	
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Trade debtors	142,400	8,340,113
Due from group companies	9,456,921	3,116,591
Sundry debtors	928,882	1,077,915
Prepayments	-	78,565
	<u>10,528,203</u>	<u>12,613,184</u>

### 13. CASH AND BANK BALANCES

(a) Analysis of changes in cash and bank balances during the year:

	<i>£</i>
Balance at 1 April 2003	372,382
Cash inflow	5,192,384
Balance at 31 March 2004	<u>5,564,766</u>

(b) Analysis of cash and bank balances as shown in the balance sheet

	<i>2004</i>	<i>2003</i>	<i>Change in year</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cash at bank and in hand	5,564,766	1,054,382	4,510,384
Bank overdrafts	-	(682,000)	682,000
	<u>5,564,766</u>	<u>372,382</u>	<u>5,192,384</u>

# TK-ECC Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 14. CREDITORS: amounts falling due within one year:

	<i>Group and company</i>	
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Trade creditors	1,548,397	9,186,070
Due to group companies	21,998,870	10,069,969
Other taxes and social security costs	856,252	268,367
Other creditors	303,292	441,344
Accruals	27,924,521	7,399,316
	<u>52,631,332</u>	<u>27,365,066</u>

### 15. DEFERRED INCOME

Deferred government grants

	<i>Group and company</i>	
	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
At 1 April	45,302	164,254
Released during the year	(45,302)	(118,952)
Balance at 31 March	<u>-</u>	<u>45,302</u>

### 16. SHARE CAPITAL

*Authorised share capital*

	<i>2004</i>	<i>2003</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	<u>50,600,100</u>	<u>50,600,100</u>

*Allotted, called up and fully paid*

	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	<u>50,600,100</u>	<u>50,600,100</u>	<u>50,600,100</u>	<u>50,600,100</u>



# TK-ECC Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 March 2004

### 17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	Share Capital £	Share Premium £	Profit and Loss Account £	Total £
At 31 March 2002	30,600,100	3,225,330	(33,377,741)	447,689
New Share Issue	20,000,000	-	-	20,000,000
Loss for the year	-	-	(19,961,797)	(19,961,797)
At 31 March 2003	50,600,100	3,225,330	(53,339,538)	485,892
New Share Issue	-	-	-	-
Loss for the year	-	-	(31,600,240)	(31,600,240)
At 31 March 2004	50,600,100	3,225,330	(84,939,778)	(31,114,348)

### 18. CAPITAL COMMITMENTS

At 31 March 2004 the company and group had the following capital commitments:-

	2004 £	2003 £
Contracted	-	1,365,844

### 19. OTHER FINANCIAL COMMITMENTS

At 31 March 2004 the group had annual commitments under operating leases as set out below:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Operating leases which expire:				
Within one year	225,000	-	2,696	-
Within two to five years	-	-	-	2,696
In over five years	-	225,000	-	-
	225,000	225,000	2,696	2,696

The operating lease of £225,000 pa on the building was terminated on acquisition of the building by the company. (See note 23)

### 20. ULTIMATE PARENT UNDERTAKING

TK-ECC Limited is ultimately a wholly owned subsidiary of Takata Corporation, a company incorporated in Japan.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 March 2004

**21. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Takata Corporation.

**22. SUBSIDIARY UNDERTAKING**

The company owns the entire issued share capital of ESS Automotive Limited, a company also incorporated in England.

**23. SUBSEQUENT EVENTS**

On 17<sup>th</sup> August 2004, a compromise agreement was finalised between the Company and the Trustees of the Pension Fund (the ECC Pension Fund) under the terms of a deed dated 4<sup>th</sup> August 2004. The terms of the agreement were that the employer would (i) pay to the trustees a sum of £8,000,000 and (ii) would also transfer the property at Dundonald to the trustees. (Subsequent to the year-end, the company acquired the property from a fellow group company for £1,150,000.) This settlement is a full and final satisfaction of the company's obligations in relation to the scheme. As the accounts are prepared on a break-up basis, the event referred to above has been treated as an adjusting post balance sheet event and the related amounts have been reflected through these accounts.