

NGK Berylco UK Limited

**Directors' report and financial
statements**

Registered number 2085285

31 December 2006

THURSDAY



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The principal activity of the company remains dealing in copper beryllium alloy products

Business review

The company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review. The results for the year are set out on page 5 of these financial statements

Directors and directors' interests

The directors who held office during the year were as follows

SW Emslie
M Ibuki
M Miyakawa

Political and charitable contributions

The company made no political contributions during the year (2005 £nil). Donations to UK charities amounted to £nil (2005 £650)


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board


LR Reising
Secretary

Unit E
Houston Park
Montford Street
Salford
M50 2RP

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of NGK Berylco UK Limited

We have audited the financial statements of NGK Berylco UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds and the related notes. 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 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of NGK Berylco UK Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
25 June 2007

Profit and loss account
for the year ended 31 December 2006

| | <i>Note</i> | 2006 £000 | 2005 £000 |
|---|-------------|----------------------|----------------------|
| Turnover | 2 | 4,471 | 4,196 |
| Cost of sales | | (2,893) | (2,773) |
| Gross profit | | 1,578 | 1,423 |
| Distribution costs | | (414) | (383) |
| Administrative expenses | | (175) | (159) |
| Operating profit | | 989 | 881 |
| Other interest receivable and similar income | 6 | 226 | 194 |
| Interest payable and similar charges | 7 | (8) | (7) |
| Profit on ordinary activities before taxation | 3 | 1,207 | 1,068 |
| Tax on profit on ordinary activities | 8 | (365) | (324) |
| Profit on ordinary activities after taxation and retained for the year | | 842 | 744 |

There are no recognised gains or losses in the current or preceding year other than the profit for the year and accordingly no separate statement of total recognised gains and losses has been presented

All activities derive from continuing operations

Balance sheet
at 31 December 2006

| | <i>Note</i> | 2006 £000 | 2006 £000 | 2005 £000 | 2005 £000 |
|--|-------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 81 | | 82 |
| Current assets | | | | | |
| Stocks | 10 | 1,421 | | 1,186 | |
| Debtors | 11 | 809 | | 790 | |
| Cash at bank and in hand | | 5,496 | | 4,873 | |
| | | | | | |
| Creditors amounts falling due within one year | 12 | 7,726 (575) | | 6,849 (541) | |
| | | | | | |
| Net current assets | | | 7,151 | | 6,308 |
| | | | | | |
| Total assets less current liabilities | | | 7,232 | | 6,390 |
| | | | | | |
| Net assets | | | 7,232 | | 6,390 |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 13 | 500 | | 500 | |
| Profit and loss account | 14 | 6,732 | | 5,890 | |
| | | | | | |
| Equity shareholders' funds | | | 7,232 | | 6,390 |

These financial statements were approved by the board of directors on 25/6/07 and were signed on its behalf by



SW Emslie
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006

| | 2006 £000 | 2005 £000 |
|-------------------------------------|--------------|--------------|
| Profit for the financial year | 842 | 744 |
| Net addition to shareholders' funds | 842 | 744 |
| Opening shareholders' funds | 6,390 | 5,646 |
| Closing shareholders' funds | 7,232 | 6,390 |

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements FRS 20 'Share based payments' has been adopted for the first time. This standard has had no material effect on the financial statements in either the current or preceding year.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by NGK Insulators Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The consolidated financial statements of NGK Insulators Limited within which this company is included, can be obtained from the address given in note 17.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|-----------------------|---|---------------|
| Plant and machinery | - | 4 to 10 years |
| Office equipment | - | 3 to 4 years |
| Fixtures and fittings | - | 4 to 10 years |
| Motor vehicles | - | 4 years |

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes (continued)

1 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

In accordance with FRS 19, deferred tax is provided where a taxation liability will arise as a result of transactions or events which have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded that they will be recovered. Provision is made at rates expected to be applicable when the liabilities or assets are likely to crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of copper alloy goods supplied to customers during the year.

2 Turnover

Analysis of turnover by geographical area

| | 2006 £000 | 2005 £000 |
|----------------|--------------|--------------|
| United Kingdom | 3,784 | 3,666 |
| Overseas | 687 | 530 |
| | <u>4,471</u> | <u>4,196</u> |

3 Profit on ordinary activities before taxation

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |

Auditors' remuneration

| | | |
|---|-----------|-----------|
| Audit of these financial statements | 9 | 9 |
| Other services relating to taxation | 3 | 3 |
| Depreciation of owned tangible fixed assets | 34 | 29 |
| Loss on disposal of fixed assets | 1 | - |
| Rentals payable under operating leases - land and buildings | 39 | 39 |
| | <u>86</u> | <u>80</u> |

Notes (continued)

4 Remuneration of directors'

| | 2006 £000 | 2005 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 92 | 78 |
| Pension contributions | 20 | 17 |
| | <u>112</u> | <u>95</u> |

During the year the company made contributions to a defined contribution pension scheme on behalf of one of the directors (2005 one)

5 Staff numbers and costs

The average number of persons employed by the company (excluding directors who perform their duties wholly outside the UK) during the year, analysed by category, was as follows

| | Number of employees | |
|----------------|---------------------|-----------|
| | 2006 | 2005 |
| Administration | 3 | 3 |
| Sales | 3 | 3 |
| Warehouse | 5 | 4 |
| | <u>11</u> | <u>10</u> |

The aggregate payroll costs of these persons were as follows

| | 2006 £000 | 2005 £000 |
|-----------------------------------|--------------|--------------|
| Wages and salaries | 341 | 314 |
| Social security costs | 40 | 37 |
| Other pension costs (see note 16) | 33 | 28 |
| | <u>414</u> | <u>379</u> |

Notes (continued)

6 Other interest receivable and similar income

| | 2006 £000 | 2005 £000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 226 | 194 |

7 Interest payable and similar charges

| | 2006 £000 | 2005 £000 |
|---------------------|--------------|--------------|
| Net exchange losses | 5 | 4 |
| Bank charges | 3 | 3 |
| | 8 | 7 |

8 Taxation

Analysis of charge in year

| | 2006 £000 | 2005 £000 |
|---------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 365 | 320 |
| Adjustments in respect of prior years | - | 4 |
| | 365 | 324 |

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before taxation | 1,207 | 1,068 |
| Current tax at 30% | 362 | 320 |
| <i>Effects of</i> | | |
| Under / (over) provision in prior year | - | 4 |
| Expenses not deductible for tax purposes | 1 | - |
| Capital allowances less than depreciation | 2 | - |
| | 365 | 324 |

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008

Notes (continued)

9 Tangible fixed assets

| | Plant and machinery £000 | Motor vehicles £000 | Fixtures, fittings and office equipment £000 | Total £000 |
|-----------------------|--------------------------------|---------------------------|--|---------------|
| Cost | | | | |
| At beginning of year | 101 | 42 | 117 | 260 |
| Additions | 6 | 16 | 16 | 38 |
| Disposals | - | (14) | - | (14) |
| At end of year | 107 | 44 | 133 | 284 |
| Depreciation | | | | |
| At beginning of year | 69 | 18 | 91 | 178 |
| Charge for year | 9 | 12 | 13 | 34 |
| On disposals | - | (9) | - | (9) |
| At end of year | 78 | 21 | 104 | 203 |
| Net book value | | | | |
| At 31 December 2006 | 29 | 23 | 29 | 81 |
| At 31 December 2005 | 32 | 24 | 26 | 82 |

Notes (continued)

10 Stocks

| | 2006 £000 | 2005 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 1,421 | 1,186 |

11 Debtors

| | 2006 £000 | 2005 £000 |
|-------------------------------------|--------------|--------------|
| Trade debtors | 705 | 715 |
| Amounts due from group undertakings | 3 | 8 |
| Prepayments and accrued income | 101 | 67 |
| | 809 | 790 |

12 Creditors: amounts falling due within one year

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Trade creditors | 71 | 80 |
| Amounts owed to group undertakings | 213 | 165 |
| Other creditors including taxation and social security | | |
| Corporation tax | 170 | 144 |
| Other taxes | 95 | 126 |
| Accruals and deferred income | 26 | 26 |
| | 575 | 541 |

Notes (continued)

13 Called up share capital

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 000 each | 498 | 498 |
| Ordinary shares of £1 each | 2 | 2 |
| | <hr/> 500 | <hr/> 500 |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 000 each | 498 | 498 |
| Ordinary shares of £1 each | 2 | 2 |
| | <hr/> 500 | <hr/> 500 |

14 Profit and loss account

| | 2006 £000 | 2005 £000 |
|------------------------------|--------------|--------------|
| At beginning of year | 5,890 | 5,146 |
| Retained profit for the year | 842 | 744 |
| | <hr/> 6,732 | <hr/> 5,890 |

15 Commitments

Annual commitments under operating leases are as follows

| | Land and buildings 2006 £000 | 2005 £000 |
|---|------------------------------------|--------------|
| Operating leases which expire in the second to fifth years inclusive | <hr/> 42 | <hr/> 39 |

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £33,000 (2005 £28,000). There were no outstanding or prepaid contributions at the end of the period.

Notes *(continued)*

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of NGK North America Inc, incorporated in the United States. The ultimate parent company is NGK Insulators Limited, a company incorporated in Japan.

The smallest and largest group in which the results of the company are consolidated is that headed by NGK Insulators Limited. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from NGK Insulators Limited, 2-56, Suda-cho, Mizuho-ku, Nagoya 467-8530, Japan.