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# **Furukawa Electric Europe Limited**

## **Report and Financial Statements**

31 December 2006

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COMPANIES HOUSE

# Furukawa Electric Europe Limited

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Registered No 2649392

## **Directors**

K Arita  
F Yamamoto  
K Shimazaki  
T Kawana  
A Fujiyoshi

## **Secretary**

F Yamamoto

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **Bankers**

Mizuho Corporate Bank Limited  
River Plate House  
7-11 Finsbury Circus  
London  
EC2M 7DH

Barclays Bank PLC  
9 Gracechurch Street  
London  
EC3V 9EX

## **Solicitors**

Denton Wilde Sapte  
Five Chancery Lane  
Clifford's Inn  
London  
EC4A 1BU

## **Registered office**

Newcombe House  
43-45 Notting Hill Gate  
London  
W11 3FE

## Directors' report

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

### Results and dividends

The profit for the year after taxation was £631,354 (2005 - profit of £473,012) A dividend of £310,000 (2005 - £170,000) was approved by the directors prior to the balance sheet date, and will be paid to ordinary shareholders out of 2006 profits on 28 March 2007

### Principal activities and review of business developments

The company's principal activity during the year was the sale and distribution of optical fibre equipment, electrical components, optical components and automotive parts The company continued to develop its activities by widening the product base to include more of the product groups manufactured by its parent company This is in line with long-term development plans for the company

### Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, foreign exchange risk and liquidity risk The company has put into place policies and procedures that seek to limit these

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made

#### *Foreign exchange risk*

The company buys and sells products denominated in foreign currencies The Board reviews and agrees policies for managing currency risks arising from the company's operations

#### *Liquidity risk*

The company is funded through its retained profits and the directors actively consider other sources of funding to ensure the company has sufficient available funds for its operations

### Directors and their interests

The directors during the year were as follows

K Arita

F Yamamoto

M Fukumoto (resigned 6 October 2006)

K Shimazaki

T Kawana

A Fujiyoshi (appointed 6 October 2006)

None of the directors had any interest in the shares of the company

## Directors' report

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



Secretary

4 April 2007

## Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 (United Kingdom Accounting Standards and applicable law). 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 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,
- 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 which 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 Furukawa Electric Europe Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 17. 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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 information given in 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 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.

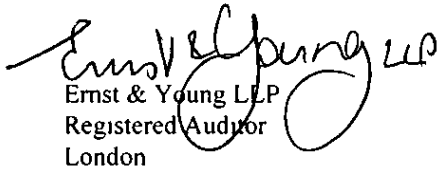
## **Independent auditors' report**

**to the members of Furukawa Electric Europe Limited**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company 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

  
Ernst & Young LLP  
Registered Auditor  
London

**10 APR 2007**

## Profit and loss account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Turnover</b>	2	23,239,163	17,453,807
Cost of sales		21,028,479	15,497,310
Gross profit		2,210,684	1,956,497
Administrative expenses		1,434,207	1,329,740
<b>Operating profit</b>	3	776,477	626,757
Interest receivable and similar income		128,026	56,212
<b>Profit on ordinary activities before taxation</b>		904,503	682,969
Taxation	6	273,149	209,957
<b>Profit on ordinary activities for the year</b>		631,354	473,012

Please refer to notes 7 and 13 for information of dividends

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £631,354 (2005 - profit of £473,012)



## Balance sheet

at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	8	60,548	61,102
<b>Current assets</b>			
Stocks	9	1,553,589	716,567
Debtors	10	2,753,875	4,200,301
Cash at bank and in hand		2,273,425	3,289,252
		6,580,889	8,206,120
<b>Creditors</b> amounts falling due within one year	11	4,568,312	6,515,451
<b>Net current assets</b>		2,012,577	1,690,669
<b>Total assets less current liabilities</b>		2,073,125	1,751,771
<b>Capital and reserves</b>			
Called up share capital	12	80,000	80,000
Profit and loss account	13	1,993,125	1,671,771
Shareholders' funds Equity	13	2,073,125	1,751,771



Director

4 April 2007

## Notes to the financial statements

at 31 December 2006

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Turnover*

Revenue is recognised to the extent that the company obtains the rights to consideration in exchange for its performance. Revenue is measured at the fair value for the consideration received, excluding discounts, rebates, VAT and other sales tax or duty.

#### *Tangible fixed assets*

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful lives as follows:

Short leasehold improvements	-	over the lease term
Computer and other equipment	-	25% per annum on the reducing balance basis
Motor vehicles	-	25% per annum on the reducing balance basis

The carrying values of tangible fixed assets are reviewed for impairment where events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Deferred taxation*

Deferred taxation 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 right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

#### *Leases*

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

#### *Stocks*

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

#### *Foreign currencies*

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Cash flow statement*

The company has taken advantage of exemptions under the provisions of Financial Reporting Standard No. 1 for subsidiary undertakings and not prepared a cash flow statement.

#### *Pension*

The company contributes to the personal pensions of eligible employees.

## Notes to the financial statements

at 31 December 2006

### 2. Turnover

Turnover, all of which arises from continuing activities, is analysed by geographical region as follows

	2006 £	2005 £
Japan	239,992	221,759
United Kingdom	6,094,039	5,607,932
Rest of the world	16,905,132	11,624,116
	<u>23,239,163</u>	<u>17,453,807</u>

### 3. Operating profit

This is stated after charging/(crediting)

	2006 £	2005 £
Depreciation	24,958	28,120
Operating lease rentals - land and buildings	83,140	120,373
Auditors' remuneration - audit of the financial statements	18,500	17,500
- taxation services	17,500	(4,500)
Exchange loss	37,416	14,188
	<u>170,514</u>	<u>182,781</u>

### 4. Staff costs

Employee costs, including those of directors, during the year

	2006 £	2005 £
Wages and salaries	820,729	750,475
Social security costs	81,616	72,854
Other pension costs	20,607	6,755
	<u>922,952</u>	<u>830,084</u>

Average monthly number of persons employed

	2006 No	2005 No
Sales and administration	20	20
	<u>20</u>	<u>20</u>

### 5. Directors' emoluments

	2006 £	2005 £
Total emoluments	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

## Notes to the financial statements

at 31 December 2006

### 6. Taxation

(a) Analysis of charge in the year

	2006	2005
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	273,149	206,364
Under provision in prior year	–	3,593
Total tax on profit on ordinary activities (note 6(b))	273,149	209,957

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	2005
	£	£
Profit on ordinary activities before tax	904,503	682,969
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	271,351	204,891
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,125	1,438
Capital allowances in (advance)/arrear of depreciation	(327)	35
Adjustments to tax charge in respect of previous year	–	3,593
Current tax for the year (note 6(a))	273,149	209,957

(c) Factors that may affect future tax charges

A deferred tax asset of £7,078 (2005 - £7,405) arising in respect of decelerated capital allowances has not been recognised as there is insufficient evidence to suggest that this will reverse in the foreseeable future

## Notes to the financial statements

at 31 December 2006

### 7. Dividends

	2006 £	2005 £
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares	–	70,000
Final 2004 dividend paid	310,000	170,000
Final dividend approved by directors at the balance sheet date	310,000	240,000

In accordance with FRS 21, dividends proposed by the directors but not approved at the balance sheet date have not been recognised as a liability

### 8. Tangible fixed assets

	Short leasehold improvements £	Computer and other equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2006	44,356	301,169	18,970	364,495
Additions	–	24,404	–	24,404
At 31 December 2006	44,356	325,573	18,970	388,899
<b>Depreciation</b>				
At 1 January 2006	42,824	241,599	18,970	303,393
Charge for the year	1,532	23,426	–	24,958
At 31 December 2006	44,356	265,025	18,970	328,351
<b>Net book amount</b>				
At 31 December 2006	–	60,548	–	60,548
At 1 January 2006	1,532	59,570	–	61,102

### 9. Stocks

	2006 £	2005 £
Finished goods for resale	1,553,589	716,567

## Notes to the financial statements

at 31 December 2006

### 10. Debtors

	2006	2005
	£	£
Trade debtors	2,696,992	4,054,944
Amounts owed by fellow subsidiary undertaking	14,040	10,856
Other debtors	2,502	72,230
Prepayments and accrued income	40,341	62,271
	<u>2,753,875</u>	<u>4,200,301</u>

### 11. Creditors. amounts falling due within one year

	2006	2005
	£	£
Trade creditors	168,636	93,502
Amounts owed to parent undertaking	3,548,358	5,511,671
Amounts owed to fellow subsidiary undertakings	90,575	335,099
Corporation tax	137,549	138,414
Other taxes and social security costs	115,852	94,339
Accruals and deferred income	197,342	172,426
Dividend payable	310,000	170,000
	<u>4,568,312</u>	<u>6,515,451</u>

### 12. Share capital

	2006	2005
	£	£
Authorised 400,000 ordinary shares of £1 each	400,000	400,000
Called up, allotted and fully paid 80,000 ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>

## Notes to the financial statements

at 31 December 2006

### 13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 31 December 2004 as restated	80,000	1,438,759	1,518,759
Profit for the year	-	473,012	473,012
Prior year adjustment – dividends	-	(70,000)	(70,000)
Dividends approved	-	(170,000)	(170,000)
At 1 January 2006	80,000	1,671,771	1,751,771
Profit for the year	-	631,354	631,354
Dividends approved	-	(310,000)	(310,000)
At 31 December 2006	80,000	1,993,125	2,073,125

### 14. Operating lease commitments

Commitments under operating leases are as follows

	<i>Land and buildings</i>	
	<i>2006</i>	<i>2005</i>
	£	£
Operating leases which expire		
in less than 1 year	91,399	26,383
in 2 to 5 years	294,230	36,786

The commitments in respect of leases which expire in less than 1 year (2005 - 2 to 5 years) are in respect of a non-cancellable operating lease. The commitments in respect of leases that expire in 2 to 5 years are in respect of an operating lease for the occupation of a building. Under the terms of the lease there are break clause options exercisable by both parties upon notice.

### 15. Commitments

The company has commitments in respect of goods shipped but not yet received from group companies amounting to £163,287 (2005 - £140,376).

### 16. Related party transactions

The voting rights of the company are entirely controlled by the ultimate parent undertaking. As a result the company has taken advantage of the exemptions available in Financial Reporting Standard No. 8 and has not disclosed transactions with entities, which are part of the group in these financial statements.

### 17. Ultimate parent undertaking

The directors consider the ultimate parent undertaking to be Furukawa Electric Co. Ltd, a company incorporated in Japan.

The parent undertaking of the group of undertakings for which group financial statements are drawn up and of which the company is a member is Furukawa Electric Co. Ltd, incorporated in Japan.

Copies of its group financial statements, which include the company, are available from Furukawa Electric Co. Ltd, 6-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo, Japan.