



ARTHUR ANDERSEN

**Takao Europe Manufacturing Limited
(formerly Stadco Takao Europe Limited)**

Accounts 31 December 2000
together with directors' and auditors' reports

Registered number: 3249892



Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activity

The principal activity of the company is pressings and assembly manufacture for the automotive industry.

Business review

Year 2000 saw a difficult year in the automotive industry. Despite this decline Takao Europe Manufacturing Limited achieved high levels of efficiency in line with our business plan and were able to continue with our investment programme.

The forthcoming year promises significant growth in volume and range of products and thus we plan to maintain our investment policy.

On 4 February 2000, Acertec Engineering Limited sold its 65% interest in the company to Takao Kinzoku Kogyo Company Limited and the company changed its name to Takao Europe Manufacturing Limited.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 4 to 19. The loss for the year after taxation was £1,032,058 (1999 – profit £79,782). The directors do not recommend the payment of a dividend (1999 - £nil).

Directors and their interests

The directors who served during the year were as follows:

Hiroyuki Takao	
Osamu Yasato	
Alan Joseph Tate	
Hideo Hayashi	(appointed 4 February 2000)
Naohiro Takao	(appointed 4 February 2000)
David James Baron	(resigned 4 February 2000)
John D Sword	(resigned 4 February 2000)
Stephen Lloyd Kynaston	(appointed 21 January 2000, resigned 4 February 2000)

None of the directors serving at the year end had any beneficial interest in the shares of the company or parent company required to be disclosed under Schedule 7 of the Companies Act 1985.

Charitable and political donations

The company gave £nil (1999 - £1,000) to charitable organisations during the year.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

Gloucester Business Park
Golf Club Lane
Brockworth
Gloucestershire
GL3 4AJ



H Hayashi
Director

19 April 2001

To the Shareholders of Takao Europe Manufacturing Limited:

We have audited the accounts on pages 4 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of its loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 The Square
Temple Quay
Bristol
BS1 6DG

19 April 2001

Profit and loss account

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	2	14,894,184	9,805,217
Cost of sales		(13,353,414)	(8,014,602)
Gross profit		1,540,770	1,790,615
Distribution costs		(15,385)	(23,209)
Administrative expenses		(2,258,569)	(1,435,029)
Operating (loss) profit	3	(733,184)	332,377
Interest receivable and similar income	5	9,757	15,707
Interest payable and similar charges	6	(308,631)	(268,302)
(Loss) profit on ordinary activities before and after taxation being			
(loss) profit for the financial year		(1,032,058)	79,782
Accumulated deficit at 1 January 2000		(1,453,413)	(1,533,195)
Accumulated deficit at 31 December 2000		(2,485,471)	(1,453,413)

The result for the period has been derived from continuing operations and includes all gains and losses arising in the year.

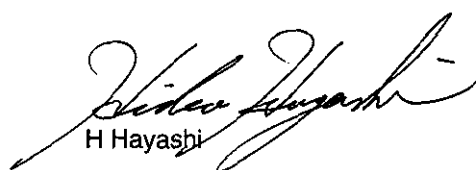
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	8	11,609,615	11,082,523
Current assets			
Stocks	9	499,710	382,588
Debtors	10	5,785,531	2,060,433
Cash at bank and in hand		604,581	2,231
		<u>6,889,822</u>	<u>2,445,252</u>
Creditors: Amounts falling due within one year	11	<u>(4,534,686)</u>	<u>(1,662,312)</u>
Net current assets		<u>2,355,136</u>	<u>782,940</u>
Total assets less current liabilities		<u>13,964,751</u>	<u>11,865,463</u>
Creditors: Amounts falling due after more than one year	12	<u>(5,617,179)</u>	<u>(3,118,876)</u>
Net assets		<u>8,347,572</u>	<u>8,746,587</u>
Capital and reserves			
Called up equity share capital	15	10,833,043	10,200,000
Profit and loss account		<u>(2,485,471)</u>	<u>(1,453,413)</u>
Equity shareholders' funds	16	<u>8,347,572</u>	<u>8,746,587</u>

The accounts on pages 4 to 19 were approved by the board of directors on 19 April 2001 and signed on its behalf by:



H Hayashi

Director

19 April 2001

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the year ended 31 December 2000

	Note	2000 £	1999 £
Net cash (outflow) inflow from operating activities	17a	(2,794,577)	510,376
Returns on investments and servicing of finance	17b	(298,874)	(252,464)
Taxation		-	-
Capital expenditure	17b	(1,828,459)	(253,416)
Cash (outflow) inflow before financing		(4,921,910)	4,496
Financing	17b	3,525,746	(7,431)
(Decrease) in cash in the year		<u>(1,396,164)</u>	<u>(2,935)</u>

Reconciliation of net cash flow to movement in net funds (note 17c)

	2000 £	1999 £
(Decrease) in cash during the year	(1,396,164)	(2,935)
Cash (inflow) outflow from increase in debt and lease financing	(2,892,703)	7,431
Movement in net debt in year	(4,288,867)	4,496
Net debt at 1 January 2000	<u>(3,283,076)</u>	<u>(3,287,572)</u>
Net debt at 31 December 2000	<u>(7,571,943)</u>	<u>(3,283,076)</u>

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts

31 December 2000

1 Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	-	10 years
Computer equipment	-	3 to 5 years
Motor vehicles	-	4 years
Fixtures, fittings tools and equipment	-	5 to 10 years
Presses	-	15 years
Assembly equipment	-	8 years

No depreciation is provided for assets in the course of construction.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Interest costs incurred in bringing assets to a state where they are ready to be used are capitalised as part of the costs of the asset.

d) Finance leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Notes to accounts (continued)

1 Principal accounting policies (continued)

e) *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

f) *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

g) *Foreign currency balances*

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. All exchange differences are included in the profit and loss account.

h) *Taxation*

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

i) *Research and development*

Research and development expenditure is written off as it is incurred.

j) *Pension contributions*

The company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to accounts (continued)

2 Turnover

Turnover was derived from the company's principal activity which was carried out wholly in the UK.

In 1999, the company recognised the profit on the sale of tooling equipment in turnover. In 2000, the turnover and cost of sales have been separately recognised and the comparatives for 1999 have been amended accordingly.

3 Operating (loss) profit

Operating (loss) profit is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets:		
- Owned assets	1,155,956	696,923
- Leased assets	145,411	65,175
Rental payments under operating leases:		
- Plant and machinery	71,794	75,616
- Other operating leases	1,626,802	1,366,997
Auditors' remuneration, including expenses:		
- Audit fees	20,000	10,000
- Other services	8,280	4,470
	<hr/>	<hr/>

4 Directors' emoluments and staff costs

Directors' remuneration

Directors' remuneration was as follows:

	2000 £	1999 £
Emoluments	296,091	203,410
Performance related bonuses	35,922	32,830
Company contributions to money purchase pension schemes	12,031	27,618
	<hr/>	<hr/>
	344,044	263,858

Retirement benefits are accruing to one director (1999 – two) under the money purchase pension scheme.

Notes to accounts (continued)

4 Directors' emoluments and staff costs (continued)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2000 £	1999 £
Emoluments	<u>157,862</u>	<u>91,583</u>

Staff costs

The average number of employees (including executive directors) was:

	Number	Number
Production	42	46
Sales and distribution	13	12
Administration	10	9
	<u>65</u>	<u>67</u>

Their aggregate remuneration comprised:

	2000 £	1999 £
Wages and salaries	1,360,365	1,198,458
Social security costs	108,997	122,155
Other pension costs	61,515	92,989
	<u>1,530,877</u>	<u>1,413,602</u>

Notes to accounts (continued)

5 Interest receivable and similar income

	2000 £	1999 £
Interest receivable from fellow group companies	<u>9,757</u>	<u>15,707</u>

6 Interest payable and similar charges

	2000 £	1999 £
Bank loans and overdrafts	62,976	884
Interest payable on finance leases	245,655	252,248
Interest payable to immediate parent undertaking	-	15,170
	<u>308,631</u>	<u>268,302</u>

7 Taxation

The company has no tax charge in either the current or previous year as no taxable profits have arisen in either of the years.

Accumulated losses amounting to £6,085,000 at 31 December 2000 (1999 - £4,200,000) in respect of these losses are available for offset against future taxable profits. No deferred tax asset has been recognised.

Notes to accounts (continued)

8 Tangible fixed assets

	Leasehold improvements £	Press and assembly equipment £	Other plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 January 2000	-	10,599,741	1,158,278	396,684	12,154,703
Additions	129,440	1,297,168	360,462	41,389	1,828,459
Reclassifications	8,244	-	(4,244)	(4,000)	-
At 31 December 2000	<u>137,684</u>	<u>11,896,909</u>	<u>1,514,496</u>	<u>434,073</u>	<u>13,983,162</u>
Depreciation					
At 1 January 2000	-	703,392	251,963	116,825	1,072,180
Charge for the year	866	1,082,627	151,565	66,309	1,301,367
Reclassifications	1,213	-	(813)	(400)	-
At 31 December 2000	<u>2,079</u>	<u>1,786,019</u>	<u>402,715</u>	<u>182,734</u>	<u>2,373,547</u>
Net book value					
At 31 December 1999	-	<u>9,896,349</u>	<u>906,315</u>	<u>279,859</u>	<u>11,082,523</u>
At 31 December 2000	<u>135,605</u>	<u>10,110,890</u>	<u>1,111,781</u>	<u>251,339</u>	<u>11,609,615</u>

Assets held under finance leases and capitalised under press and assembly equipment are as follows:

	2000 £	1999 £
Cost	3,317,282	3,317,282
Accumulated depreciation	(228,766)	(83,355)
Net book value	<u>3,088,516</u>	<u>3,233,927</u>

Notes to accounts (continued)

9 Stocks

	2000 £	1999 £
Raw materials and consumables	98,919	84,738
Work-in-progress	250,975	238,462
Finished goods	149,816	59,388
	<u>499,710</u>	<u>382,588</u>

There is no material difference between the replacement cost of stocks and the balance sheet value.

10 Debtors

Amounts falling due within one year:

	2000 £	1999 £
Trade debtors	790,782	675,263
Amounts owed by group undertakings	3,541,947	886,785
VAT recoverable	442,643	-
Other debtors	82,939	54,250
Prepayments and accrued income	927,220	444,135
	<u>5,785,531</u>	<u>2,060,433</u>

11 Creditors: Amounts falling due within one year

	2000 £	1999 £
Obligations under finance leases	559,345	164,945
Bank loans and overdrafts	2,000,000	1,486
Trade creditors	1,379,524	602,369
Amounts owed to group undertakings	378,516	492,756
Taxation and social security	75,495	147,438
Other creditors	122	237
Accruals and deferred income	141,684	253,081
	<u>4,534,686</u>	<u>1,662,312</u>

Notes to accounts (continued)

12 Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Finance lease obligations	2,559,532	3,118,876
Amounts owing to immediate parent company	3,057,647	-
	<u>5,617,179</u>	<u>3,118,876</u>

Borrowings are repayable as follows:

	2000 £	1999 £
Bank loans		
On demand or within one year	<u>2,000,000</u>	<u>1,486</u>
Finance leases		
Between one and two years	716,748	559,345
Between two and five years	1,842,784	2,324,545
After five years	-	234,986
	<u>2,559,532</u>	<u>3,118,876</u>
On demand or within one year	<u>559,345</u>	<u>164,945</u>
	<u>3,118,877</u>	<u>3,283,821</u>
Total borrowings including finance leases		
Between one and two years	716,748	559,345
Between two and five years	1,842,784	2,324,545
After five years	-	234,986
	<u>2,559,532</u>	<u>3,118,876</u>
On demand or within one year	<u>2,559,345</u>	<u>166,431</u>
	<u>5,118,877</u>	<u>3,285,307</u>

13 Deferred taxation

	2000 £	1999 £
The company's full potential (asset) liability in respect of deferred taxation is as follows:		
Accelerated capital allowances	1,580,400	871,142
Accumulated trading losses	(1,825,500)	(1,267,162)
	<u>(245,100)</u>	<u>(396,020)</u>

Notes to accounts (continued)

On the basis of prudence, the net deferred tax asset in both 2000 and 1999 has not been recognised within the accounts.

14 Financial commitments

Capital expenditure sanctioned by the directors at 31 December 2000 but not provided for within these accounts was £1,188,525 (1999 - £nil).

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date				
- within one year	-	26,013	-	5,397
- between one and five years	-	50,624	-	64,857
- after five years	1,625,000	-	1,575,757	-
	<u>1,625,000</u>	<u>76,637</u>	<u>1,575,757</u>	<u>70,254</u>

15 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
15,500,000 (1999 - 10,200,000) ordinary shares of £1 each	<u>15,500,000</u>	<u>10,200,000</u>
<i>Allotted, called-up and fully paid</i>		
10,833,043 (1999 - 10,200,000) ordinary shares of £1 each	<u>10,833,043</u>	<u>10,200,000</u>

On 31 October 2000, the authorised share capital was increased from £10,200,000 to £15,500,000 by the creation of 5,300,000 ordinary shares of £1 each.

On 31 October 2000 the company issued 633,043 ordinary shares at par for cash to the existing shareholders.

Notes to accounts (continued)

16 Reconciliation of movements in equity shareholders' funds

	2000 £	1999 £
(Loss) profit for the year	(1,032,058)	79,782
Issue of shares	633,043	-
Net (reduction) addition to equity shareholders' funds	(399,015)	79,782
Opening equity shareholder' funds	8,746,587	8,666,805
Closing equity shareholders' funds	8,347,572	8,746,587

17 Cash flow information

a) Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating (loss) profit	(733,184)	332,377
Depreciation	1,301,367	762,099
(Increase) decrease in stocks	(117,122)	153,359
(Increase) decrease in debtors	(3,725,098)	(554,299)
(Increase) decrease in creditors	479,460	(183,160)
Net cash (outflow) inflow from operating activities	(2,794,577)	510,376

b) Gross cash flows

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	9,757	15,707
Interest paid	(62,976)	(15,923)
Interest element of finance lease rental payment	(245,655)	(252,248)
Net cash outflow	(298,874)	(252,464)
Capital expenditure		
Payments to acquire tangible fixed assets	(1,828,459)	(253,416)
Net cash outflow	(1,828,459)	(253,416)
Financing		
Issue of ordinary share capital	633,043	-
Increase in amounts owed to group undertakings	3,057,647	-
Capital element of finance lease rental payments	(164,944)	(7,431)
Net cash inflow (outflow)	3,525,746	(7,431)

Notes to accounts (continued)

17 Cash flow information (continued)

c) Analysis of changes in net debt

	At 1 January 2000 £	Cash flows £	Other non-cash changes £	At 31 December 2000 £
Cash in hand, at bank	2,231	602,350	-	604,581
Overdrafts	(1,486)	(1,998,514)	-	(2,000,000)
	<u>745</u>	<u>(1,396,164)</u>	<u>-</u>	<u>(1,395,419)</u>
Debt due within one year				
- finance leases	(164,945)	164,944	(559,344)	(559,345)
Debt due after one year				
- Amounts due to group undertakings	-	(3,057,647)	-	(3,057,647)
- Finance leases	(3,118,876)	-	559,344	(2,559,532)
	<u>(3,283,821)</u>	<u>(2,892,703)</u>	<u>-</u>	<u>(6,176,524)</u>
Total net debt	<u>(3,283,076)</u>	<u>(4,288,867)</u>	<u>-</u>	<u>(7,571,943)</u>

Notes to accounts (continued)

18 Related party transactions

Controlling parties

Takao Europe Manufacturing Limited is a subsidiary Takao Kinzoku Kogyo Company Limited.

Takao Kinzoku Kogyo Company Limited is a company incorporated in Japan.

Honda Japan owns 48.8% of the share capital of Takao Kinzoku Kogyo Company Limited.

Transactions during the year

During the year the principal related party transactions were as detailed below:

Sales and purchases with related companies were as follows:

	Sales/recharges by Takao Europe Manufacturing Limited			
	Tooling or component sales		Recharges	
	2000	1999	2000	1999
	£	£	£	£
Takao Kinzoku Kogyo Company Limited	140,523	-	32,533	-
Takao Property Europe Limited	-	-	2,980	82,034
Honda Trading	-	-	-	-
Honda UK	14,300,013	8,684,657	-	-
Honda Logistics	-	13,968	-	-
Total related party transactions	14,440,536	8,698,625	35,513	82,034

	Purchases/recharges to Takao Europe Manufacturing Limited			
	Tooling, capital or component sales		Recharges	
	2000	1999	2000	1999
	£	£	£	£
Takao Kinzoku Kogyo Company Limited	8,589,125	-	216,340	395,117
Takao Property Europe Limited	-	-	1,594,774	1,319,106
Honda Trading	1,084,898	2,220,774	-	-
Honda UK	-	-	-	-
Honda Logistics	-	-	-	-
Total related party transactions	9,674,023	2,220,774	1,811,114	1,714,223

Recharges to Takao Europe Manufacturing Limited from Takao Kinzoku Kogyo Company Limited relate to the purchase of capital machinery and tooling. Amounts recharged by other companies comprise rent, insurance, utility costs, engineering charges and salary costs for directors and certain employees.

Notes to accounts (continued)

18 Related party transactions (continued)

Year end balances

Total amounts due from and payable to related parties are disclosed in notes 10, 11 and 12 to these accounts as follows:

	2000 £'000	1999 £'000
<i>Amounts due from:</i>		
Subsidiaries within the Takao Kinzoku Kogyo Group	3,542	887
Subsidiaries within the Honda Group	<u>626</u>	<u>477</u>
<i>Amounts payable to:</i>		
Subsidiaries within the Takao Kinzoku Kogyo Group	3,368	48
Subsidiaries within the Honda Group	364	307
Takao Property Europe Limited	<u>69</u>	<u>445</u>

- Amounts due from and payable to subsidiaries within the Honda Group are disclosed within trade debtors and trade creditors in notes 10 and 11.
- The company rents its premises in Gloucester from Takao Property Europe Limited, (formerly Takao Hall Property Limited), which is also a wholly owned subsidiary of Takao Kinzoku Kogyo Company Limited. During 2000 the company paid £1,970,975 (1999 - £1,264,967) to Takao Property Europe Limited in this respect.

19 Ultimate parent company

The immediate and ultimate parent company is Takao Kinzoku Kogyo Company Limited, a company incorporated in Japan. A copy of the group accounts can be obtained from that company's registered office at TAKAO KINZOKU KOGYO CO, OTSU41 MINAMITSUCHIYAMA, TSUCHIYAMA-CHO, KOGA-GUN, SHIGA pref.528-02, JAPAN

20 Post balance sheet event

On 30 January 2001, the company issued 1,180,979 ordinary shares of £1 each at par for cash.

21 Prior year comparatives

The prior year comparatives were audited by a firm of accountants other than Arthur Andersen.