

SEI Interconnect Products (Europe) Limited

**Directors' report and financial
statements**

Registered number 3639819

31 December 2006

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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 core activity of the company remains the distribution of electric wire and cable products.

Business and financial review

Turnover for the company was € 10,604,484 (2005: € 9,939,466).

The company's pre tax loss was € 330,006 (2005: € 148,983).

During the year the results showed signs of a recovery in the electronic wire and cable market, with sales in several product lines showing an improvement over those achieved in the previous year. Although it is the directors view that we are facing an improved market for our products in Europe, the market still remains difficult due to the movement of many European manufacturing facilities to Asia and increased price competition from non European suppliers.

During the year ended 31 December 2006 the company underwent a programme of restructuring, whereby the central warehouse for the holding and distribution of electronic wire and cable products was transferred to the premises of a sister company in Germany. This transfer resulted in exceptional costs being incurred in the region of €630,000 which have been included in the 2006 results.

The above restructuring costs have had a substantial impact on the 2006 results causing the company to show a pre tax loss. Exceptional costs incurred during 2005 also resulted in the company showing a pre tax loss.

Given the improving market and the restructuring programmes undertaken over the past years, improving cost efficiency, the directors consider the company to be in a good position to take advantage of any future business opportunities which may arise.

Principal risks and uncertainties

SEI Interconnect Products (Europe) Limited has the security of being a wholly owned subsidiary of Sumitomo Electric Industries, a public company registered in Japan.

The Directors believe that the significant financial risk facing the company is foreign currency risk.

Sales of goods are predominately in Euro with sales also made in the non base currencies of US dollar and Sterling, while purchases are made predominately in Euro and US dollar. The company attempts to optimize a natural hedging of currencies and reducing risk in this area. Monthly forward currency contracts are taken out where appropriate to reduce exchange fluctuations.

The financial position of the company is continually monitored through the issuing by the accounts department of regular reports covering the profit and loss, balance sheet, cash flow and aged debtors.

Loss of business for any reason is mitigated against by maintaining close contact with customers at all times and aiming to have a good balance of both customers and products. Loss of IT systems and communications is an ever present risk and the company has established functional back up routines to minimize any disruption.

The maintenance of a highly skilled and stable workforce is key to the future of the company. Health, safety and welfare issues are given special attention by the Directors. It is company policy to give fair consideration to applications for employment received from disabled persons and to ensure that wherever possible continued employment is offered to employees who become temporarily or permanently disabled.

Directors' report *(continued)*

Proposed dividend

The directors do not propose the declaration of a dividend (2005: € nil).

Directors

The Directors who held office during the year were as follows:

S Endo (resigned 29 June 2006)
A Kubo
F Furukawa (appointed 28 June 2006)

Overseas branches

The company had branch operations located in France, Italy, Germany and Hungary throughout the year.

Political and charitable contributions

The company made no political or charitable contributions during the year (2005: € nil).

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 he 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


D Gillett
Secretary

10 Axis Court
Mallard Way
Riverside Business Park
Swansea
SA7 0AJ

24 / 10 / 2007

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

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of SEI Interconnect Products (Europe) Limited

We have audited the financial statements of SEI Interconnect Products (Europe) Limited for the year ended 31 December 2006 which comprise the Profit and loss account, the Balance sheet 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 Directors' report and 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 3.

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 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 SEI Interconnect Products
(Europe) 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 loss 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.



Chartered Accountants
Registered Auditor

31st October 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 €	2005 €
Turnover	2	10,604,484	9,939,466
Cost of sales		(9,173,613)	(8,262,697)
		<hr/>	<hr/>
Gross profit		1,430,871	1,676,769
Administrative expenses		(3,093,387)	(2,477,275)
Other operating income		1,441,997	681,863
		<hr/>	<hr/>
Operating loss	3	(220,519)	(118,643)
Interest receivable and similar income	6	8,055	51,619
Interest payable and similar charges	7	(117,542)	(81,959)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3-7	(330,006)	(148,983)
Tax on loss on ordinary activities	8	(440,449)	(198,331)
		<hr/>	<hr/>
Loss on ordinary activities after taxation being loss for the financial year	17	(770,455)	(347,314)
		<hr/>	<hr/>

The above results represent the total recognised gains and losses for the company in both financial years.


All of the activities of the company are classed as continuing.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
at 31 December 2006

	Note	2006	2005
		€	€
Fixed assets			
Intangible assets	9	281,672	308,113
Tangible assets	10	219,253	419,541
Investments	11	38,000	38,000
		<u>538,925</u>	<u>765,654</u>
Current assets			
Stocks	12	1,177,403	1,641,948
Debtors	13	3,353,149	3,594,356
Cash at bank and in hand		543,652	585,541
		<u>5,074,204</u>	<u>5,821,845</u>
Creditors: amounts falling due within one year	14	<u>(5,148,811)</u>	<u>(5,352,726)</u>
Net current (liabilities)/assets		<u>(74,607)</u>	<u>469,119</u>
Total assets less current liabilities being total net assets		<u>464,318</u>	<u>1,234,773</u>
Capital and reserves			
Called up share capital	16	4,215,900	4,215,900
Profit and loss account	17	(3,751,582)	(2,981,127)
Shareholders' funds	18	<u>464,318</u>	<u>1,234,773</u>

These financial statements were approved by the board of directors on 24/10/2007 and were signed on its behalf by:


F Furukawa
Director

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 company's financial statements.

Basis of preparation

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

Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 from the requirement to disclose transactions with entities that are part of the group headed by the company's ultimate parent undertaking or investees of that group qualifying as related parties, on the grounds that more than 90% of the voting rights in the company are controlled within the group and the company's ultimate parent undertaking, Sumitomo Electric Industries Limited, includes the company in its own published consolidated financial statements and these financial statements are publicly available.

Acquisitions and disposals

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the company's share of separable assets and liabilities acquired. Where the cost of acquisition exceeds the values attributable to such assets and liabilities the difference is treated as purchased goodwill.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Cash flow statements

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights in the company are controlled within the group headed by the company's ultimate parent undertaking, Sumitomo Electric Industries Limited, which includes the company in its own published consolidated financial statements and these financial statements are publicly available.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided 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:

Building improvements	-	2 years (see note)
Plant and machinery	-	7 years
Fixtures and fittings	-	3 to 5 years
Motor vehicles	-	3 to 4 years

The life of building improvements was revised to 2 years in 2005 following the directors' decision not to renew the lease on the UK premises at the end of 2006. This increased the depreciation charge in the year ended 31 December 2006 from €36,604 to €230,191. (2005: from €37,488 to €232,549).

Fixed asset investments

Investments are stated at cost less any provision for impairment losses.

Goodwill

Goodwill representing the excess of the fair value of the consideration given and associated costs over the fair value of net assets purchased is capitalised within fixed assets and amortised by equal instalments over its expected useful economic life of 15 to 20 years. Provision is made for any impairment.

Foreign currencies

Transactions in non-Euro currencies recorded in the company's UK branch are translated into Euros using monthly average exchange rates. The resulting gains and losses are taken to the profit and loss account.

The transactions of the company's overseas branches (located in non-Euro countries) are recorded in the currency local to the branch and translated into Euros at an average rate. The resulting gains and losses are taken to the profit and loss account.

Monetary assets and liabilities denominated in non-Euro related 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.

Pensions

The company provides a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss as they become payable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Income is recognised when the risk of ownership passes to the customer; ie when goods or services are delivered to the customer.

2 Analysis of turnover

All turnover is derived from one class of business. Turnover is split geographically as follows:

	2006 €	2005 €
Europe	10,146,646	9,687,010
South America	142,397	54,764
North America	34,288	176,672
Asia	281,153	21,020
	<hr/>	<hr/>
	10,604,484	9,939,466
	<hr/>	<hr/>

Notes (continued)

3 (Loss) on ordinary activities before taxation

	2006	2005
	€	€
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Amounts receivable by the auditors and their associates in respect of:		
- audit of these financial statements	25,875	31,900
- other services	74,729	51,110
Depreciation	331,145	328,239
Amortisation of goodwill	26,441	26,441
Operating lease rentals		
- land and buildings	239,633	220,945
- plant and machinery	-	439
Loss on disposal of assets	17,467	6,557
	<u> </u>	<u> </u>
Exceptional costs		
- restructuring of UK operations	630,000	195,061
	<u> </u>	<u> </u>

Exceptional costs comprise the moving of the European central warehousing function from the UK to Germany. These costs comprise mainly of the write down of leasehold building improvements, making good of leased premises and redundancies. These costs are included in operating expenses for the year.

4 Remuneration of directors

	2006	2005
	€	€
Directors' emoluments	72,484	102,418
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2006	2005
Distribution/office staff	30	31
	<u> </u>	<u> </u>

Notes *(continued)*

5 Staff numbers and costs *(continued)*

	2006 €	2005 €
Wages and salaries	1,303,201	1,327,729
Social security costs	220,979	211,177
Other pension costs	29,920	32,444
	<u>1,554,100</u>	<u>1,571,350</u>

6 Interest receivable and similar income

	2006 €	2005 €
On bank accounts	8,055	6,620
Net exchange gain	-	44,999
	<u>8,055</u>	<u>51,619</u>

7 Interest payable and similar charges

	2006 €	2005 €
On loans repayable within one year to group companies	80,478	81,959
Net exchange loss	37,064	-
	<u>117,542</u>	<u>81,959</u>

Notes *(continued)*

8 Taxation

Analysis of taxation charge for the year

	2006 €	2005 €
<i>Current tax</i>		
UK Corporation tax for the year	-	1,823
Overseas tax	338,987	196,508
Group relief	101,462	-
	<hr/>	<hr/>
Total current tax charge	440,449	198,331
<i>Deferred taxation</i>		
Origination/reversal of timing differences	-	-
	<hr/>	<hr/>
	440,449	198,331
	<hr/>	<hr/>

Factors affecting the tax charge for the year

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

	2006 €	2005 €
Loss on ordinary activities before tax	(330,006)	(148,983)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	(99,002)	(44,695)
<i>Effects of</i>		
Expenses not allowable for tax purposes	14,880	9,239
Difference between accumulated depreciation and capital allowances	73,255	69,862
Provisions	10,867	20,207
Foreign taxes	338,987	196,508
Utilisation of losses	-	(52,790)
Group relief	101,462	-
	<hr/>	<hr/>
Current tax charge for the year	440,449	198,331
	<hr/>	<hr/>

Any future tax charges may be impacted by the announced change in the rate of corporation tax from 30% to 28%, effective from 1 April 2008. The impact of this has not been quantified in the financial statements as the directors do not consider it practicable to do so.

Notes (continued)

9 Intangible fixed assets

	Goodwill
	€
<i>Cost</i>	
At beginning and end of year	487,747
<i>Amortisation</i>	
At beginning of year	179,634
Charge for year	26,441
At end of year	206,075
<i>Net book value</i>	
At 31 December 2006	281,672
At 31 December 2005	308,113

10 Tangible fixed assets

	Leasehold building improvements	Plant and Machinery	Fixtures, fittings, tools and equipment and motor vehicles	Total
	€	€	€	€
<i>Cost</i>				
At beginning of year	732,087	269,101	709,993	1,711,181
Additions	-	36,314	146,332	182,646
Transfer	-	(2,121)	2,121	-
Disposals	(732,087)	(247,822)	(328,400)	(1,308,309)
At end of year	-	55,472	530,046	585,518
<i>Depreciation</i>				
At beginning of year	501,896	223,801	565,943	1,291,640
Charge for year	230,191	19,842	81,112	331,145
Transfer	-	(2,121)	2,121	-
Disposals	(732,087)	(221,639)	(302,794)	(1,256,520)
At end of year	-	19,883	346,382	366,265
<i>Net book value</i>				
At 31 December 2006	-	35,589	183,664	219,253
At 31 December 2005	230,191	45,300	144,050	419,541

Notes (continued)

11 Fixed asset investment

	Investments €
<i>Shares in group companies</i>	
Cost:	
At beginning and end of year	38,000

The following information relates to the fixed asset investment:

	Country of incorporation	Principal activity	Percentage of shares held
<i>Investments</i>			
SEI Interconnect Products (Hungary) Kft	Hungary	Manufacture of flat flexible cable	2%

Since the year end, an increase in the issued share capital of SEI Interconnect Products (Hungary) Kft has reduced the shareholding to less than 1%. There has been no impact on the cost of investment held by SEI Interconnect Products (Europe) Limited.

12 Stocks

	2006 €	2005 €
Finished goods and goods for resale	1,177,403	1,641,948

13 Debtors

	2006 €	2005 €
Trade debtors	2,464,677	2,484,414
Amounts owed by group undertakings	739,966	856,411
Other debtors	77,151	64,923
Prepayments and accrued income	71,355	188,608
	3,353,149	3,594,356

There are no items due after one year (2005: *€nil*).

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2006 €	2005 €
Trade creditors	769,450	361,605
Amounts owed to group undertakings	1,572,354	1,924,866
Loan from group undertaking	1,700,000	2,700,000
Other taxes and social security	267,911	78,764
Other creditors	121,928	45,838
Corporation tax creditor	-	1,823
Accruals and deferred income	717,168	239,830
	<u>5,148,811</u>	<u>5,352,726</u>

15 Provision for liabilities and charges - deferred taxation

	2006 (Asset)/liability €	2005 (Asset)/liability €
Difference between accumulated depreciation and amortisation and capital allowances	(14,697)	(105,429)
Other timing differences	(91,095)	(99,876)
Tax losses carried forward	(306,987)	(266,615)
	<u>(412,779)</u>	<u>(471,920)</u>

The unrecognised, potential deferred tax asset of the company at 30% (2005: 30%) is detailed above. This asset is not recognised due to uncertainty existing as to the level and timing of future profits in SEI Interconnect Products (Europe) Limited.

16 Share capital

	2006 £	2005 £
<i>Authorised</i>		
10,000,000 ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Allotted, called up and fully paid</i>		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

The Euro equivalent of the issued share capital at the commencement of trading amounted to €4,215,900 (2005: €4,215,900).

Notes *(continued)*

17 Profit and loss account

	2006 €	2005 €
Loss for the financial year	(770,455)	(347,314)
Balance brought forward	(2,981,127)	(2,633,813)
Balance carried forward	(3,751,582)	(2,981,127)

18 Reconciliation of movements in shareholders' funds

	2006 €	2005 €
Loss for the financial year	(770,455)	(347,314)
Opening shareholders' funds	1,234,773	1,582,087
Closing shareholders' funds	464,318	1,234,773

19 Contingent liabilities

The company had no contingent liabilities in either year.

20 Commitments

- (a) The company had no capital commitments in either year.
- (b) The company's commitments for rental payments under non-cancellable operating leases payable during the year to 31 December 2006 are as follows:

	Land and buildings	
	2006 €	2005 €
<i>Leases expiring</i>		
Within one year	3,840	157,182
Between 2 and 5 years	126,802	18,064
Over 5 years	-	13,795
	130,642	189,041

Notes *(continued)*

21 Pension commitments

The company operates a defined contribution scheme on behalf of its directors and employees. The charge to the profit and loss account for the year was €29,920 (2005: €32,444).

At the year end contributions amounting to €Nil (2005: €Nil) were payable to the fund and are included in creditors.

22 Related party transactions and parent undertakings

The company which heads up the smallest group of undertakings into which the results of the company are consolidated is SEI (UK) Holding Limited, a company incorporated in the UK. Copies of the group's accounts are available to the public and can be obtained from Companies House.

The ultimate holding company and controlling party is Sumitomo Electric Industries Limited, a company incorporated in Japan. Copies of the group's accounts are available to the public and can be obtained from Sumitomo Electric Industries Limited, Osaka, Japan.