

Company Registration No. 1413144

NITTO KOHKI EUROPE CO. LIMITED

Report and Financial Statements

31 December 2008



Ernst & Young LLP

NITTO KOHKI EUROPE CO. LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Group profit and loss account	7
Group statement of total recognised gains and losses	8
Group balance sheet	9
Balance sheet	10
Notes to the financial statements	11
Detailed profit and loss account of the company	23

NITTO KOHKI EUROPE CO. LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Ogue
H Ushigome
E Kaibuchi

SECRETARY

M Ogue

REGISTERED OFFICE

100 New Bridge Street
London EC4V 6JA

BANKERS

The Bank of Tokyo-Mitsubishi UFJ Limited
12-15 Finsbury Circus
London EC2M 7BT

Lloyds Bank Plc
67 High Street
Watford WD17 2DU

Bank of Ireland
17 Drimnagh Road
Walkinstown
Dublin 12
Republic Of Ireland

Bank of Scotland
150 Fountainbridge
Edinburgh EH3 9PE

SOLICITORS

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

AUDITORS

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

NITTO KOHKI EUROPE CO. LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company's and its subsidiaries' principal activity is the supply of pumps, tools and cuplas world-wide. There have not been any significant changes in the group's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the group's profit and loss account on page 7, the group's sales have increased by 2.5% from last year.

The group's key measurement of effectiveness of its operations is calculating operating margin after direct costs. The group achieved a gross margin after direct costs of 27%.

The balance sheet on page 9 shows that the group's financial position at the year end has, in net assets, increased compared with the prior year.

The group's cash levels have increased by £931,000, from £3,313,000 at the end of 2007 to £4,244,000 at the end of the current financial year. Cash levels at the year end have increased due to more sales, more control on debtors and better short term investment with banks.

There have been no significant events since the balance sheet date, which require further disclosure.

PRINCIPAL RISKS AND UNCERTAINTIES

The main concern for the group is the slowdown of world economy and coping with it for the foreseeable future.

The group operates in a highly competitive market which is a continuing risk to the group and could result in losing sales to its key competitors. The group manages this risk by providing value added services to its customers: by having fast response times to customer queries and by maintaining strong relationships with its customers.

Some of the group's sales are in Euros and US dollars which expose the group to currency movement and therefore the group are exposed to movement in the Euro and the US Dollar to pound exchange rate.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £718,000 (2007: profit of £694,000). A dividend of £290,000 was declared and approved to the Parent Company in Japan.

FUTURE DEVELOPMENTS

The directors intend to safeguard the existing customer base and look for new customers to improve profitability in 2009.

DIRECTORS

The directors who served throughout the year and subsequently are as follows:

M Ogue

T Kondoh (resigned 2 January 2008)

H Ushigome (appointed 2 January 2008)

E Kaibuchi (appointed 1 January 2009)

KEY PERFORMANCE INDICATORS (COMPANY ONLY)

Sales: Compared to last year, Nitto Kohki Europe Co. Limited has performed worse (2007 sales: £1,823,714; 2008

NITTO KOHKI EUROPE CO. LIMITED

DIRECTORS' REPORT

sales: £1,631,950)

Gross Profit: Compared to sales, Nitto Kohki Europe Co. Limited has earned less Gross Profit (2007: £700,176; 2008: £595,062). 2007 Gross Margin is at 38.4% and 2008 Gross Margin is at 36.5% due to lower sales and lower margin sales to larger customers.

Actual sales compared to Budget: Nitto Kohki Europe Co. Limited has performed worse than the budget. In 2008, budgeted sales were at 1,700,000 and actual sales were at 1,631,950.

Our objective is always to produce better figures compared to what we budgeted for the year and we feel less optimistic that we will be able to achieve for coming year.

Our direct expenditure tends to be static as 99% of the products we sell are manufactured by our parent company in Japan. Unless there is a worldwide shortage of any metal we use, we could easily predict our direct costs.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Deloitte & Touche LLP resigned as auditors on 27th July 2008 and Ernst & Young LLP were appointed in their place.

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

Approved by the Board of Directors

And signed on behalf of the Board



M Ogue – Director

Date: 20 April 2009

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 group and the company and of the profit or loss of the group for that period. In preparing these 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; 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 group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NITTO KOHKI EUROPE CO. LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Nitto Kohki Europe Co. Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, and the related notes 1 to 22. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

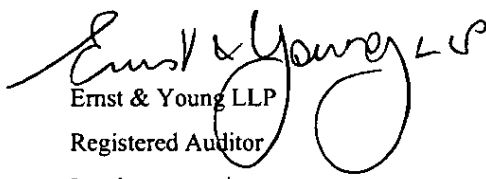
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NITTO KOHKI EUROPE CO.
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 the group's and the parent company's affairs as at 31 December 2008 and of the group's 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
Date 21 APR 2009

NITTO KOHKI EUROPE CO. LIMITED

GROUP PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
TURNOVER	2	13,032,324	12,717,746
Cost of sales		(9,482,122)	(9,229,591)
GROSS PROFIT		3,550,202	3,488,155
Distribution costs		(700,148)	(630,815)
Administrative expenses		(2,042,528)	(1,878,553)
Other operating income		80,745	26,877
OPERATING PROFIT	4	888,271	1,005,664
Interest receivable and similar income	5	147,978	128,331
Interest payable and similar charges	6	-	(115)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,036,249	1,133,880
Tax on profit on ordinary activities	7	(318,137)	(439,795)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		718,112	694,085

All income and expenses derive from continuing activities.

NITTO KOHKI EUROPE CO. LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES **Year ended 31 December 2008**

	2008	2007
	£	£
Profit for the financial year	718,112	694,085
Currency translation differences	680,829	155,610
Prior year adjustment	(60,397)	-
Total recognised gains and losses since last annual report	<u>1,338,544</u>	<u>849,695</u>

NITTO KOHKI EUROPE CO. LIMITED

GROUP BALANCE SHEET 31 December 2008

	Note	£	2008 £	£	2007 £
FIXED ASSETS					Restated
Intangible assets	10		1,143,010		1,229,821
Tangible assets	11		1,345,050		1,563,162
			<u>2,488,060</u>		<u>2,792,983</u>
CURRENT ASSETS					
Stocks	13	4,323,883		3,880,318	
Debtors	14	2,285,509		2,114,631	
Cash at bank and in hand		<u>4,244,523</u>		<u>3,313,475</u>	
		10,853,915		9,308,424	
CREDITORS: amounts falling due within one year	15	<u>(2,746,332)</u>		<u>(2,558,895)</u>	
NET CURRENT ASSETS			8,107,583		6,749,529
TOTAL ASSETS LESS CURRENT LIABILITIES			10,595,643		9,542,512
PROVISIONS FOR LIABILITIES	17		-		(55,810)
NET ASSETS			<u>10,595,643</u>		<u>9,486,702</u>
CAPITAL AND RESERVES					
Called up share capital	18		4,730,000		4,730,000
Profit and loss account	19		<u>5,865,643</u>		<u>4,756,702</u>
SHAREHOLDERS' FUNDS	19		<u>10,595,643</u>		<u>9,486,702</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

20 APR 2009



M Ogue
Director

NITTO KOHKI EUROPE CO. LIMITED

COMPANY BALANCE SHEET

31 December 2008

	Note	£	2008 £	£	2007 £ Restated
FIXED ASSETS					
Intangible assets	10		1		1
Tangible assets	11		69,485		72,951
Investments	12		5,766,653		5,574,113
			<u>5,836,139</u>		<u>5,647,065</u>
CURRENT ASSETS					
Stocks	13	534,152		446,853	
Debtors	14	429,144		575,734	
Cash at bank and in hand		<u>2,292,293</u>		<u>2,018,790</u>	
		3,255,589		3,041,377	
CREDITORS: amounts falling due within one year					
	15	<u>(531,410)</u>		<u>(459,855)</u>	
NET CURRENT ASSETS			<u>2,724,179</u>		<u>2,581,522</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,560,318</u>		<u>8,228,587</u>
CAPITAL AND RESERVES					
Called up share capital	18		4,730,000		4,730,000
Profit and loss account	19		<u>3,830,318</u>		<u>3,498,587</u>
SHAREHOLDERS' FUNDS	19		<u>8,560,318</u>		<u>8,228,587</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

20 APR 2009



M Ogue

Director

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified for the valuation of investments as detailed below.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 December 2008.

Revenue recognition

Revenue, which excludes value added tax, represents the invoiced value of goods and services supplied. Revenue is recognised when substantially all of the risks and rewards of ownership of the goods have passed to the customer.

Stocks

Stocks are stated at the lower of cost and net realisable value, and consist of finished goods and include any import duties and freight inwards costs where applicable. Provision is made for obsolescence.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is not provided on freehold land, or on assets under construction. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	4% per annum
Freehold improvements, furniture, fixtures and fittings	20% per annum
Computer equipment – hardware and software	33% per annum
Plant and machinery	14 to 25% per annum

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

Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

The rate of amortisation is as follows:

Goodwill	20 years
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It is reviewed for impairment at the end of the first full financial year following the acquisition and when events or changes in circumstances indicate that the carrying value may no be recoverable.

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

31 December 2008

1. ACCOUNTING POLICIES (continued)

Deferred taxation

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over onto replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- 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 reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign exchange

Transactions of the UK company denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Assets and liabilities in currencies other than sterling are translated into sterling at the rates of exchange ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of the foreign subsidiary are translated into sterling at the closing rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investment in the subsidiary at the closing rate is reported in the group statement of total recognised gains and losses.

Investments held as fixed assets

Investments held as fixed assets are stated at cost less provision for any impairment in value. They are reviewed for impairment if events or changes in circumstances indicate their carrying value may not be recoverable.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rentals under operating leases are charged to profit and loss account in equal amounts over the lease term.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in respect of defined contribution schemes.

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

31 December 2008

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The group has not prepared a cash flow statement because it is taking advantage of the exemptions available under the revised Financial Reporting Standard Number 1. Exemption is on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a group cash flow statement in the ultimate parent company's financial statements which are available to the public.

Prior year adjustment

The director identified an error in the prior year's financial statements which resulted in an overstatement of income by £60,397 and understatement of other creditors by £60,397. The error has been corrected in these financial statements resulting in a decrease of profit and loss account brought forward balance and an increase in other creditors by £60,397 each.

Change to presentation of comparative figures

The directors consider that there should be a single class of intangible assets titled goodwill to reflect the correct presentation of this asset. Accordingly, in note 10 to the financial statements, the columns of figures headed "goodwill" and "intellectual property" have been merged into a single column of figures. This change in presentation has not had any impact on the presentation of the amortisation charge in the profit and loss account.

2. TURNOVER

Turnover, which is stated net of Value Added Tax, represents amounts invoiced to third parties.

	2008 £	2007 £
Geographical analysis of turnover	2,484,389	2,408,162
United Kingdom	5,800,977	6,940,720
Other European countries	3,190,251	1,670,509
Other	1,556,707	1,698,355
	<u>13,032,324</u>	<u>12,717,746</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £	2007 £
Directors' emoluments	80,050	72,845
Pension costs	<u>3,160</u>	<u>5,187</u>
	<u>83,210</u>	<u>78,032</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007: 1).

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2008 £	2007 £
Employee costs during the year (including directors)		
Wages and salaries	2,259,723	2,337,722
Social security costs	238,453	234,793
Pension costs	26,893	29,729
	<u>2,525,069</u>	<u>2,602,244</u>
	No.	No.
Average monthly number of employees employed		
Administration	19	13
Manufacturing	32	32
Sales and distribution	27	35
	<u>78</u>	<u>80</u>

4. OPERATING PROFIT

	2008 £	2007 £
This is stated after charging:		
Depreciation		
Owned assets	360,107	357,539
Amortisation of intangible assets	86,811	86,810
Fees payable to the company's auditor for the audit of the company's annual financial statements	17,600	16,750
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiary pursuant to legislation	35,900	25,459
Other services pursuant to legislation	-	29,195
Rentals under operating leases		
Other	48,339	50,489
	<u>48,339</u>	<u>50,489</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Bank interest receivable	128,643	128,331
Other	19,335	-
	<u>147,978</u>	<u>128,331</u>

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Bank interest payable and similar charges	-	115
	-	115

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
United Kingdom corporation tax at 28.5% (2007: 30%)	300,821	257,721
Adjustment in respect of prior years	1,318	1,162
Double taxation relief	(80,730)	(40,200)
Foreign taxation	158,044	235,334
	379,453	454,017
Deferred taxation		
Changes in tax rate and laws	1,105	17,431
Timing differences, origination and reversal	(34,022)	(30,529)
Adjustment in respect of prior years	(28,399)	(1,124)
	318,137	439,795

Factors affecting current tax charge for the year

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	1,036,249	1,133,880
Profit on ordinary activities before tax at 28.5% (2007: 30%)	295,331	340,164
Effects of:		
Net expenses not deductible for tax purposes	40,374	(70,327)
Capital allowances in arrears of depreciation	31,807	32,030
Movement in short term timing differences	1,710	776
Overseas tax rates	8,913	228,861
Deferred Income	-	20,548
Non-taxable income	-	(99,197)
Adjustments in respect of prior years	1,318	1,162
Current tax charge	379,453	454,017

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

8. DIVIDENDS

	2008 £	2007 £
Dividend paid during the year	280,000	200,000
	280,000	200,000
Final dividend declared and approved	290,000	280,000
	<u>290,000</u>	<u>280,000</u>

9. PROFIT AFTER TAX OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after taxation for the financial year ended 31 December 2008 amounted to £621,731 (2007: £512,890 as restated – see Note 19).

10. INTANGIBLE FIXED ASSETS

	Goodwill £
The Company	
Cost:	
At 1 January 2008 and 31 December 2008	2,065,244
Accumulated amortisation:	
At 1 January 2008	835,423
Charge for the year	86,811
At 31 December 2008	922,234
Net book value:	
At 31 December 2008	1,143,010
At 31 December 2007	1,229,821
	<u>1,229,821</u>
	Trademark
	£
The Company	
Cost	
At 1 January 2008 and 31 December 2008	1
	<u>1</u>

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improve- ments furniture, fixtures and fittings £	Computer equipment £	Plant and machinery £	Assets under construction £	Total £
The Group						
Cost						
At 1 January 2008	762,036	68,449	61,476	2,019,454	223,542	3,134,957
Exchange difference	-	9,761	7,636	5,167	-	22,564
Additions	-	3,751	675	126,618	-	131,044
Disposals	-	-	(5,339)	(425,804)	-	(431,143)
Transfer	-	-	-	223,542	(223,542)	-
At 31 December 2008	762,036	81,961	64,448	1,948,977	-	2,857,422
Accumulated depreciation						
At 1 January 2008	115,106	51,462	56,194	1,349,033	-	1,571,795
Exchange difference	-	5,143	2,349	4,121	-	11,613
Charge for the year	15,240	4,053	4,184	336,630	-	360,107
Disposals	-	-	(5,339)	(425,804)	-	(431,143)
At 31 December 2008	130,346	60,658	57,388	1,263,980	-	1,512,372
Net book value						
At 31 December 2008	631,690	21,303	7,060	684,997	-	1,345,050
At 31 December 2007	646,930	16,987	5,282	670,421	223,542	1,563,162

The group has not depreciated freehold land which is included at a cost of £381,018 (2007: £381,018) in freehold land and buildings. The net book value of the group's fixed assets included nil (2007: £148) in respect of assets held under finance lease contracts.

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

11. TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings £	Freehold improve- ments furniture, fixtures and fittings £	Computer equipment £	Total £
The Company				
Cost				
At 1 January 2008	112,036	31,257	50,444	193,737
Additions	-	-	675	675
At 31 December 2008	112,036	31,257	51,119	194,412
Accumulated depreciation				
At 1 January 2008	42,773	29,617	48,396	120,786
Charge for the year	2,240	741	1,160	4,141
At 31 December 2008	45,013	30,358	49,556	124,927
Net book value				
At 31 December 2008	67,023	899	1,563	69,485
At 31 December 2007	69,263	1,640	2,048	72,951

The company has not depreciated freehold land which is included at a cost of £56,018 (2007: £56,018) in freehold land and buildings. The company held no fixed assets under finance leases in the current year.

12. INVESTMENTS HELD AS FIXED ASSETS

The Company	£		
Shares in group undertakings			
Valuation at 1 January 2008			5,574,113
Revaluation			192,540
Valuation at 31 December 2008			5,766,653
Additional information on subsidiaries			
	Country of Incorporation	Class of Shares Owned	Interest Held
Universal Drilling & Cutting Equipment Limited	UK	Ordinary	100%
Nitto Kohki Deutschland GmbH	Germany	Ordinary	100%

The companies operate principally in their country of incorporation and carry on the business of the importation and sale of machine tools, couplings, air pumps and the manufacturing of machine tools and industrial cutters.

These subsidiaries are included in the group financial statements.

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

13. STOCKS

	The Group		The Company	
	2008	2007	2008	2007
	£	£	£	£
Raw materials	395,673	373,089	-	-
Work in progress	707,352	904,114	-	-
Finished goods	3,220,858	2,603,115	534,152	446,853
	<u>4,323,883</u>	<u>3,880,318</u>	<u>534,152</u>	<u>446,853</u>

14. DEBTORS

	The Group		The Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	1,922,351	1,821,023	153,563	188,316
Amounts owed by group undertakings	-	32,940	256,275	363,098
Other debtors	235,605	161,440	105	9,562
Deferred tax (see note 17)	4,357	-	8,561	4,860
Prepayments and accrued income	123,196	99,228	10,640	9,898
	<u>2,285,509</u>	<u>2,114,631</u>	<u>429,144</u>	<u>575,734</u>
Amounts owed by group undertakings				
Due within one year	-	32,940	241,275	256,898
Due after one year	-	-	15,000	106,200
	<u>-</u>	<u>32,940</u>	<u>256,275</u>	<u>363,098</u>

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2008	2007 restated	2008	2007
	£	£	£	£
Trade creditors	1,109,410	1,045,755	27,073	-
Obligations under finance leases	-	148	-	-
Amounts owed to group undertakings	886,338	581,903	161,114	70,748
Dividend	290,000	280,000	290,000	280,000
Corporation tax payable	109,050	240,507	16,951	47,969
Other creditors (excluding taxation and similar charges)	54,321	105,192	(19,170)	17,644
Accruals and deferred income	297,213	305,390	55,442	43,494
	<u>2,746,332</u>	<u>2,558,895</u>	<u>531,410</u>	<u>459,855</u>

16. OBLIGATIONS UNDER FINANCE LEASES

	The Group		The Company	
	2008	2007	2008	2007
	£	£	£	£
Amount payable				
Within one year	-	148	-	-

17. PROVISIONS FOR LIABILITIES

	The Group		The Company	
	2008	2007	2008	2007
	£	£	£	£
Deferred taxation	<u>(4,357)</u>	<u>55,810</u>	<u>(8,561)</u>	<u>(4,860)</u>
Deferred taxation				
	2008	2007	2008	2007
	£	£	£	£
Balance at 1 January	55,810	70,032	(4,860)	(3,360)
Credit to the profit and loss account	(62,421)	(14,222)	(3,701)	(1,500)
Exchange adjustment	2,254	-	-	-
Balance at 31 December	<u>(4,357)</u>	<u>55,810</u>	<u>(8,561)</u>	<u>(4,860)</u>

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

17. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Analysis of deferred tax balance:

	The Group		The Company	
	2008	2007	2008	2007
	£	£	£	£
Capital allowances in advance/(arrears) of depreciation	2,889	61,376	(1,315)	706
Other timing differences	(7,246)	(5,566)	(7,246)	(5,566)
	<u>(4,357)</u>	<u>55,810</u>	<u>(8,561)</u>	<u>(4,860)</u>

18. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised		
(2007:6,000,000) ordinary shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>
Called up, allotted and fully paid		
(2007:4,730,000) ordinary shares of £1 each	<u>4,730,000</u>	<u>4,730,000</u>

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
The Group			
At 31 December 2006	4,730,000	4,187,007	8,917,007
Profit for the financial year	-	694,085	694,085
Other recognised gains and losses	-	216,007	216,007
Dividends	-	(280,000)	(280,000)
At 31 December 2007 as previously reported	4,730,000	4,817,099	9,547,099
Prior Year Adjustment	-	(60,397)	(60,397)
At 31 December 2007 Restated	<u>4,730,000</u>	<u>4,756,702</u>	<u>9,486,702</u>
Profit for the financial year	-	718,112	718,112
Currency translation Differences	-	680,829	680,829
Dividends	-	(290,000)	(290,000)
At 31 December 2008	<u>4,730,000</u>	<u>5,865,643</u>	<u>10,595,643</u>

NITTO KOHKI EUROPE CO. LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS 31 December 2008

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (continued)

The Company	Share capital	Profit and loss account	Revaluation reserve	Total
At 31 December 2007 as previously stated	4,730,000	3,598,898	(100,311)	8,228,587
Prior year adjustment*		(100,311)	100,311	-
At 31 December 2007 Restated	4,730,000	3,498,587		8,228,587
Profit retained for the year	-	621,731		621,731
Dividends	-	(290,000)		(290,000)
At 31 December 2008	4,730,000	3,830,318		8,560,318

* Prior year adjustment

Prior year adjustment relates to the incorrect classification of the investment revaluation which had been posted directly to a Revaluation Reserve instead of being charged to the Profit and Loss account.

20. ULTIMATE PARENT COMPANY

In the opinion of the directors, the ultimate parent company and controlling entity is Nitto Kohki Co. Limited, a company incorporated in Japan. Copies of the group financial statements of Nitto Kohki Co. Limited, being the largest and smallest group financial statements produced, are available from Nitto Kohki Co. Limited, 9-4 Nakaikegami, 2 Chome, Ohta-ku, Tokyo, Japan.

21. OPERATING LEASE COMMITMENTS

At 31 December 2008 the group was committed to make the following payments during the next year in respect of non-cancellable operating leases:

	2008	2007
	Other £	Other £
Group		
Leases which expire:		
Within one year	-	33,325
Within two to five years	48,339	52,131
	<u>48,339</u>	<u>85,456</u>

22. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption granted under section 3(c) of Financial Reporting Standard 8 not to disclose transactions with other group companies. There were no other transactions involving related parties.

NITTO KOHKI EUROPE CO. LIMITED

TRADING PROFIT AND LOSS ACCOUNT (unaudited)

Year ended 31 December 2008

	2008		2007	
	£	£	£	£
Sales		1,631,950		1,823,714
Opening stock	410,885		421,611	
Purchases	1,075,504		1,098,627	
Freight in	55,083		50,153	
	<u>1,541,472</u>		<u>1,570,391</u>	
Less: Closing stock	(504,584)	(1,036,888)	(446,853)	(1,123,538)
Gross profit		595,062		700,176
DISTRIBUTION EXPENSES				
Shipping and freight expenses	9,391		12,136	
Travelling	17,475		11,757	
Entertaining	1,295		1,158	
Advertising	5,309		9,111	
Promotional expenses	13,506		2,778	
Debt collection fees			359	
Bad debts	6,000		6,000	
Automobile expenses	29,035		23,674	
Market research	58		903	
Sales Commission	22,749		35,522	
Temporary Help	-		-	
Warehouse costs	2,200		2,400	
	<u></u>	(107,018)	<u></u>	(105,798)
ADMINISTRATIVE EXPENSE				
Rent and rates	10,013		7,727	
Light, heat and water	1,721		1,631	
Telephone, telex and postage	8,262		7,980	
Repairs and maintenance	7,636		8,616	
Audit fee	17,600		16,750	
Accountancy, taxation and legal fees	8,381		6,317	
Office supplies	5,748		4,233	
Salaries	260,772		234,428	
Insurance premiums	3,659		6,621	
Bank charges	4,205		4,040	
Depreciation	4,142		6,146	
Subscriptions	474		316	
Employee welfare	9,689		9,353	
Recruitment	-		-	
Lease rental charges	-		-	
Charitable Donations			25	
	<u></u>	(342,302)	<u></u>	(314,183)
Balances c/f		145,741		280,195

NITTO KOHKI EUROPE CO. LIMITED**TRADING PROFIT AND LOSS ACCOUNT (unaudited)**
Year ended 31 December 2008

	2008	2007
	£	£
Balances b/f	145,741	280,195
OTHER INCOME	210,667	180,255
FOREIGN EXCHANGE GAINS/(LOSSES)	63,693	18,321
INTEREST RECEIVABLE	96,469	107,996
INVESTMENT IMPAIRMRNT	<u>192,540</u>	<u>150,403</u>
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION AND DIVIDENDS	<u><u>709,112</u></u>	<u><u>737,170</u></u>