

1413144

Nitto Kohki Europe Co. Limited

Report and Financial Statements

31 December 2009



Nitto Kohki Europe Co Limited

Registered No 1413144

Directors

M Ogue
H Ushigome
E Kaibuchi

Secretary

M Ogue

Auditors

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

Bankers

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

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67 High Street
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Bank of Ireland
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Bank of Scotland
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Solicitors

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA

Registered Office

100 New Bridge Street
London EC4V 6JA

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Results and dividends

The group loss for the year after taxation was £129,903 (2008 – profit of £636,072 re-stated) The directors recommend a final dividend for the year of £175,000

Principal activities and review of the business

The company has 3 subsidiaries, Universal Drilling & Cutting Equipment Limited (UK), Nitto Kohki Deutschland GmbH (Germany) and UDCE France Sarl (France) Universal Drilling & Cutting Equipment Limited has a branch in the US and Netherlands The company's and its subsidiaries' principal activity is the supply of pumps, tools and cuplas world-wide There have been no changes in the group's principal activities as a result of the economic slowdown worldwide in the year under review The directors are cautiously optimistic, at the date of this report, of recovery in the group's activities in the forthcoming year

As shown in the group's profit and loss account on page 7, the group's sales have decreased by 22% from last year

The group's key measurement of effectiveness of its operations is calculating gross 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, decreased compared with the prior year

The group's cash levels have increased by £492,544, from £4,244,523 at the end of 2008 to £4,737,067 at the end of the current financial year

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

Prior year adjustment

The directors identified a misstatement related to the recognition of sales in the US branch of Universal Drilling & Cutting Equipment Limited and resulted in the overstatement of prior year's Group Turnover, Gross profit, Debtors, Currency translation differences and Profit and loss account brought forward in the consolidated financial statements and resulted in the overstatement of prior year's Investment in subsidiary undertakings in the company's balance sheet

The impact on the prior year results is explained in note 1 to the financial statements

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 is exposed to movement in the Euro and the US Dollar to pound exchange rate

Directors' report

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out below

The group has considerable financial resources together with existing good relationship with number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors during the year were as follows

M Ogue

H Ushigome

E Kaibuchi (appointed 1 January 2009)

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2009, the company had an average of 60 days purchases outstanding in trade creditors

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

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

By order of the Board



M Ogue
Secretary

- 4 AUG 2010

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments 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 are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Nitto Kohki Europe Co. Limited

We have audited the group and parent undertaking financial statements (the "financial statements") of Nitto Kohki Europe Co. Limited for the year ended 31 December 2009 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 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's and group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's APB's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group and company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

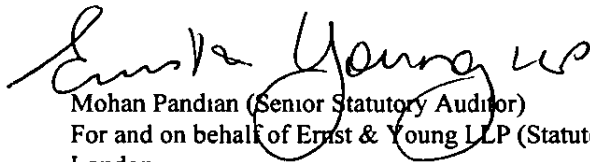
Independent auditors' report

to the members of Nitto Kohki Europe Co. Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

- 4 AUG 2010

Group profit and loss account

for the year ended 31 December 2009

		2009	2008
	Notes	£	Restated £
Turnover	2	9,993,931	12,950,284
Cost of sales		(7,273,567)	(9,482,122)
Gross profit		2,720,364	3,468,162
Distribution costs		(610,095)	(700,148)
Administrative expenses		(2,224,356)	(2,042,528)
Other operating (expenses)/ income		(20,727)	80,745
Operating (loss)/profit	4	(134,814)	806,231
Interest receivable	5	41,823	147,978
(Loss)/profit on ordinary activities before taxation		(92,991)	954,209
Tax on loss on ordinary activities	6	(36,912)	(318,137)
(Loss)/profit for the financial year	17	(129,903)	636,072

Group statement of total recognised gains and losses

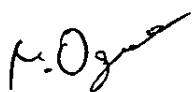
for the year ended 31 December 2009

		2009	2008
			<i>Restated</i>
	<i>Notes</i>	£	£
(Loss)/profit for the financial year	17	(129,903)	636,072
Currency translation differences	17	(160,098)	634,463
Total recognised (losses)/gains related to the year		(290,001)	1,270,535
Prior year adjustment	1	(222,090)	–
Total recognised (losses)/gains since last annual report		(512,091)	1,270,535

Group balance sheet

at 31 December 2009

		2009	2008
	Notes	£	Restated £
Fixed assets			
Intangible assets	9	1,056,199	1,143,010
Tangible assets	10	1,158,696	1,345,050
		<u>2,214,895</u>	<u>2,488,060</u>
Current assets			
Stocks	12	3,426,354	4,323,883
Debtors	13	1,289,217	2,081,036
Cash at bank and in hand		4,737,067	4,244,523
		<u>9,452,638</u>	<u>10,649,442</u>
Creditors: amounts falling due within one year	14	(1,741,364)	(2,746,332)
Net current assets		<u>7,711,274</u>	<u>7,903,110</u>
Total assets less current liabilities		<u>9,926,169</u>	<u>10,391,170</u>
Capital and reserves			
Called up share capital	16	4,730,000	4,730,000
Profit and loss account	17	5,196,169	5,661,170
Shareholders' funds	17	<u>9,926,169</u>	<u>10,391,170</u>



M Ogue
Director

- 4 AUG 2010

Balance sheet

at 31 December 2009

		2009	2008
	Notes	£	Restated £
Fixed assets			
Intangible assets	9	1	1
Tangible assets	10	65,847	69,485
Investments	11	5,045,735	5,544,562
		<u>5,111,583</u>	<u>5,614,048</u>
Current assets			
Stocks	12	470,959	534,152
Debtors	13	358,524	429,144
Cash at bank and in hand		2,290,349	2,292,293
		<u>3,119,832</u>	<u>3,255,589</u>
Creditors , amounts falling due within one year	14	(326,602)	(531,410)
Net current assets		<u>2,793,230</u>	<u>2,724,179</u>
Total assets less current liabilities		<u>7,904,813</u>	<u>8,338,227</u>
Capital and reserves			
Called up share capital	16	4,730,000	4,730,000
Profit and loss account	17	3,174,813	3,608,227
Shareholders' funds	17	<u>7,904,813</u>	<u>8,338,227</u>



M Ogue
Director

- 4 AUG 2010

Notes to the financial statements

at 31 December 2009

1. Accounting policies

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the year ended 31 December 2009

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 exceptions

- Provision is made for deferred taxation 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 apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out below

The group has considerable financial resources together with existing good relationship with number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Foreign currencies

Transactions of the group denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary 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 group profit and loss account

The results of overseas subsidiaries are translated 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 subsidiaries and branch at the closing rate is reported in the group statement of total recognised gains and losses

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

Statement of cash flows

The group has not prepared a statement of cash flows 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 is included in the ultimate parent company's financial statements which are available to the public

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

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

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 not be recoverable

Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows

Freehold property	–	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

Fixed asset investments

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

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

Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Prior year adjustment

Group

The directors identified a misstatement related to the recognition of sales in the US branch of Universal Drilling & Cutting Equipment Limited. As a result of their investigation, they have restated the prior year's Turnover, Debtors, Currency translation differences and Profit and loss account brought forward in the consolidated financial statements.

The amount of the prior year adjustments and the financial statement line items affected are shown below.

	December 2008 financial statements £	US branch adjustments £	Restated December 2008 £
<i>Profit and loss account</i>			
Turnover	13,032,324	(82,040)	12,950,284
Gross profit	3,550,202	(82,040)	3,468,162
Operating profit	888,271	(82,040)	806,231
Profit on ordinary activities before taxation	1,036,249	(82,040)	954,209
Profit for the financial year	718,112	(82,040)	636,072
<i>Balance sheet</i>			
Debtors	2,285,509	(204,473)	2,081,036
Net current assets	8,107,583	(204,473)	7,903,110
Total assets less current liabilities	10,595,643	(204,473)	10,391,170
Currency translation differences*	680,829	(46,366)	634,463
Profit and loss account brought forward	(4,756,702)	76,067	(4,680,635)
Equity shareholders' funds	10,595,643	(204,473)	10,391,170

*included within profit and loss account reserve (see note 17)

Company

As a result of the adjustments to the profit and total assets less current liabilities of the company's wholly owned subsidiary Universal Drilling & Cutting Equipment Limited for the prior year, the carrying value of investment in that subsidiary in the company's financial statements was overstated in the prior year. Accordingly, the directors have restated the Investment in subsidiary undertakings, Total assets less current liabilities and Equity shareholders' funds in the company's individual balance sheet.

The amount of the prior year adjustments and the financial statement line items affected are shown below.

	December 2008 financial statements £	Investment in subsidiary undertakings adjustment £	Restated December 2008 £
<i>Balance sheet</i>			
Investment in subsidiary undertakings	5,766,653	(222,091)	5,544,562
Total assets less current liabilities	8,560,318	(222,091)	8,338,227
Profit and loss account brought forward	(3,830,318)	222,091	(3,608,227)
Equity shareholders' funds	8,560,318	(222,091)	8,338,227

Notes to the financial statements

at 31 December 2009

1. Accounting policies (continued)

Cumulative prior year adjustment is as follows

Relating to balance at 1 January 2008	(76,067)
Relating to 2008 financial year	(146,023)
	<u>(222,090)</u>

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of the group's continuing activity as stated in the directors' report

An analysis of turnover by geographical market is given below

	2009 £	2008 Restated £
<i>Geographical analysis of turnover</i>		
United Kingdom	5,825,941	2,484,389
Other European countries	1,983,967	5,800,977
America	848,187	3,108,211
Other	1,335,836	1,556,707
	<u>9,993,931</u>	<u>12,950,284</u>

3. Information regarding directors and employees

	2009 £	2008 £
Directors' emoluments	79,000	80,050
Pension Costs	3,160	3,160
	<u>82,160</u>	<u>83,210</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2008 – 1)

	2009 £	2008 £
Employee costs during the year (including directors)		
Wages and salaries	2,159,414	2,259,723
Social security costs	213,387	238,453
Pension costs	28,044	26,893
	<u>2,400,845</u>	<u>2,525,069</u>
	No	No

Notes to the financial statements

at 31 December 2009

3. Information regarding directors and employees (continued)

Average monthly number of employees employed		
Administration	11	19
Manufacturing	18	32
Sales and distribution	25	27
	<u>54</u>	<u>78</u>

4. Operating (loss)/profit

This is stated after charging

	2009 £	2008 £
Depreciation of owned fixed assets	282,183	360,107
Amortisation of intangible assets	86,811	86,811
Fees payable to the company's auditor for the audit of the company's Financial statements	17,800	17,600
Fees payable to the company's auditor for other services		
The audit of the company's subsidiary pursuant to legislation	36,499	35,900
Auditors' remuneration – other service	10,000	5,000
Rentals under operating leases	18,831	48,339
	<u></u>	<u></u>

5. Interest receivable

	2009 £	2008 £
Bank interest receivable	40,268	128,643
Other	1,555	19,335
	<u>41,823</u>	<u>147,978</u>

Notes to the financial statements

at 31 December 2009

6. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax on the (loss)/profit for the year	(31,167)	300,821
Adjustment in respect of prior years	7,291	1,318
Double taxation relief	(58,968)	(80,730)
Foreign taxation	122,825	158,044
Total current tax (note 6(b))	39,981	379,453
<i>Deferred taxation</i>		
Changes in tax rate and laws	(3,069)	1,105
Timing differences, origination and reversal	–	(34,022)
Adjustment in respect of prior years	–	(28,399)
Total deferred tax (note 15)	(3,069)	(61,316)
Tax on (loss)/profit on ordinary activities	36,912	318,137

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2008 – 28.5%). The differences are explained below

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	(92,991)	954,209
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	(26,038)	295,331
<i>Effects of</i>		
Expenses not deductible for tax purposes	19,671	40,374
Capital allowances in arrears of depreciation	21,902	31,807
Movements in short term timing differences	11,627	1,710
Overseas tax rates	–	8,913
Adjustments in respect of prior years	7,291	1,318
Difference in tax rates on losses carried back	5,528	–
Current tax for the year (note 6(a))	39,981	379,453

7. Dividends

	2009 £	2008 £
Final dividend declared and paid	175,000	290,000

Notes to the financial statements

at 31 December 2009

8. Loss after tax of parent company

As permitted by Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss after taxation for the financial year ended 31 December 2009 amounted to £ 258,414 (2008 – profit of £621,731)

9. Intangible fixed assets

<i>Group</i>	<i>Goodwill</i> £
Cost	
At 1 January 2009 and 31 December 2009	2,065,244
Amortisation	
At 1 January 2009	922,234
Charge for the year	86,811
At 31 December 2009	1,009,045
Net book value	
At 31 December 2009	1,056,199
At 1 January 2009	1,143,010
<i>Company</i>	<i>Trademark</i> £
Cost	
At 1 January 2009 and 31 December 2009	1

Notes to the financial statements

at 31 December 2009

10. Tangible fixed assets

Group

	<i>Freehold Improvements, furniture, fixtures and fittings</i>	<i>Computer equipment</i>	<i>Plant and machinery</i>	<i>Total</i>
	<i>Freehold property</i>			
	£	£	£	£
Cost or valuation				
At 1 January 2009	762,036	81,961	64,448	1,948,977
Additions	–	926	5,119	91,903
Disposals	–	–	–	(553,841)
Exchange difference	–	1,758	(4,940)	(497)
At 31 December 2009	762,036	84,645	64,627	1,486,542
Depreciation				
At 1 January 2009	130,346	60,658	57,388	1,263,980
Charge for the year	15,241	4,496	2,832	259,614
Disposals	–	–	–	(553,841)
Exchange difference	–	37	(1,423)	(174)
At 31 December 2009	145,587	65,191	58,797	969,579
Net book value				
At 31 December 2009	616,449	19,454	5,830	516,963
At 31 January 2009	631,690	21,303	7,060	684,997

The group has not depreciated freehold land which is included at a cost of £381,018 (2008 – £381,018) in freehold land and buildings. The group held no fixed assets under finance leases in the current or prior year.

Notes to the financial statements

at 31 December 2009

10. Tangible fixed assets (continued)

Company

	<i>Freehold land and Buildings £</i>	<i>Freehold Improvements, furniture, fixtures and fittings £</i>	<i>Computer equipment £</i>	<i>Total £</i>
Cost				
At 1 January 2009	112,036	31,257	51,119	194,412
Additions	–	–	62	62
At 31 December 2009	112,036	31,257	51,181	194,474
Accumulated depreciation				
At 1 January 2009	45,013	30,358	49,556	124,927
Charge for the year	2,241	492	967	3,700
At 31 December 2009	47,254	30,850	50,523	128,627
Net book value				
At 31 December 2009	64,782	407	658	65,847
At 1 January 2009	67,023	899	1,563	69,485

The company has not depreciated freehold land which is included at a cost of £56,018 (2008 – £56,018) in freehold land and buildings. The company held no fixed assets under finance leases in the current year.

Notes to the financial statements

at 31 December 2009

11. Investments

<i>Company</i>	<i>Investment in subsidiary undertakings</i>
	<i>£</i>
Cost	
Valuation at 1 January 2009	5,766,653
Impairment adjustment relating to prior year adjustment in subsidiary (see note 1)	(222,091)
Valuation at 1 January 2009 restated	5,544,562
Current year provision for impairment	(498,827)
Valuation at 31 December 2009	5,045,735

	<i>Country of incorporation</i>	<i>Class of shares owned</i>	<i>Interest held</i>
Universal Drilling & Cutting Equipment Limited	UK	Ordinary	100%
Nitto Kohki Deutschland GmbH	Germany	Ordinary	100%
UDCE France Sarl	France	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

UDCE France Sarl is involved in the selling of products manufactured by its parent company, Universal Drilling & Cutting Equipment Limited

12. Stocks

	<i>2009</i>	<i>Group 2008</i>	<i>2009</i>	<i>Company 2008</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Raw materials	628,503	395,673	–	–
Work in progress	101,822	707,352	–	–
Finished goods	2,696,029	3,220,858	470,959	534,152
	3,426,354	4,323,883	470,959	534,152

Notes to the financial statements

at 31 December 2009

13. Debtors

	2009	Group 2008 <i>Restated</i>	2009	Company 2008
	£	£	£	£
Trade debtors	991,206	1,717,878	180,199	153,563
Amounts owed by group undertakings	–	–	158,040	256,275
Other debtors	230,866	235,605	–	105
Deferred tax (see note 15)	7,428	4,357	1,306	8,561
Prepayments and accrued income	59,717	123,196	18,979	10,640
	<u>1,289,217</u>	<u>2,081,036</u>	<u>358,524</u>	<u>429,144</u>
Amounts owed by group undertakings				
Due within one year	–	–	143,040	241,275
Due after one year	–	–	15,000	15,000
	<u>–</u>	<u>–</u>	<u>158,040</u>	<u>256,275</u>

14. Creditors: amounts falling due within one year

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Trade creditors	506,304	1,109,410	–	27,073
Amounts owed to group undertakings	904,280	886,338	68,805	161,114
Dividend payable	49,336	290,000	175,000	290,000
Corporation tax payable	60,448	109,050	14,891	16,951
Other creditors	22,831	54,321	12,117	–
Other taxes and Social Security	–	–	7,969	(19,170)
Accruals and deferred income	198,165	297,213	47,820	55,442
	<u>1,741,364</u>	<u>2,746,332</u>	<u>326,602</u>	<u>531,410</u>

Notes to the financial statements

at 31 December 2009

15. Deferred tax

Deferred taxation provided in the financial statements and the amounts not provided are as follows

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Deferred taxation asset	(7,428)	(4,357)	(1,306)	(8,561)

	2009	Group 2008	2009	Company 2008
	£	£	£	£
At 1 January	(4,357)	55,810	(8,561)	(4,860)
Credit to the profit and loss account	(14,307)	(62,421)	7,255	(3,701)
Exchange adjustment	—	2,254	—	—
Adjustment in respect of prior year	11,236	—	—	—
At 31 December	(7,428)	(4,357)	(1,306)	(8,561)

Analysis of deferred tax balance

	2009	Group 2008	2009	Company 2008
	£	£	£	£
Capital allowances in (arrears)/advance of Depreciation	(7,428)	2,889	(1,063)	(1,315)
Other timing differences	—	(7,246)	(243)	(7,246)
	(7,428)	(4,357)	(1,306)	(8,561)

16. Issued share capital

	No	2009 £	No	2008 £
Allotted called up and fully paid				
Ordinary shares of £1 each	4,730,000	4,730,000	4,730,000	4,730,000

Notes to the financial statements

at 31 December 2009

17. Reconciliation of shareholders' funds and movements on Reserves

Group

	Share Capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 2007 as restated	4,730,000	4,756,702	9,486,702
Prior year adjustment	—	(76,067)	(76,067)
At 31 December 2007 as restated	4,730,000	4,680,635	9,410,635
Profit for the financial year	—	636,072	636,072
Currency translation differences	—	634,463	634,463
Dividends	—	(290,000)	(290,000)
At 31 December 2008 as restated	4,730,000	5,661,170	10,391,170
Loss for the financial year	—	(129,903)	(129,903)
Currency translation differences	—	(160,098)	(160,098)
Dividends	—	(175,000)	(175,000)
At 31 December 2009	4,730,000	5,196,169	9,926,169

Company

	Share Capital £	Profit and loss account £	Total £
At 31 December 2007 as previously reported	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 as previously reported	4,730,000	3,830,318	8,560,318
Prior year adjustment*	—	(222,091)	(222,091)
At 31 December 2008 as restated	4,730,000	3,608,227	8,338,227
Loss retained for the year	—	(258,414)	(258,414)
Dividends	—	(175,000)	(175,000)
At 31 December 2009	4,730,000	3,174,813	7,904,813

*Prior year adjustment relates to further impairment on the investment in the subsidiary, Universal Drilling & Cutting Equipment Limited, following the prior year adjustment in their individual accounts.

Notes to the financial statements

at 31 December 2009

18. Operating lease commitments

At 31 December 2009 the group was committed to make the following payments during the next year in respect of non-cancellable operating leases

Group

	2009	2008
	£	£
Leases which expire		
Within one year	15,980	48,339
Within two to five years	16,379	–
	<u>32,359</u>	<u>48,339</u>

19. Related party transactions

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.

20. Ultimate parent undertaking and controlling party

In the opinion of the directors, the ultimate parent undertaking and controlling party 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.

Nitto Kohki Europe Co Limited

Detailed company profit and loss account

for the year ended 31 December 2009

	2009 £	2008 £
Turnover	1,379,031	1,631,950
Opening stock	504,584	410,885
Purchases	749,350	1,075,504
Freight in	42,945	55,083
	<u>1,296,879</u>	<u>1,541,472</u>
Less Closing stock	(430,211)	(504,584)
Gross profit	<u>512,363</u>	<u>595,062</u>
Distribution expenses		
Shipping and freight expenses	3,628	9,391
Travelling	8,369	17,475
Entertaining	801	1,295
Advertising	430	5,309
Promotional expenses	8,301	13,506
Bad debts	(25,316)	6,000
Automobile expenses	28,596	29,035
Market research	132	58
Sales Commission	17,862	22,749
Warehouse costs	2,600	2,200
	<u>(45,403)</u>	<u>(107,018)</u>
Administration expenses		
Rent and rates	10,703	10,013
Light, heat and water	2,214	1,721
Telephone, telex and postage	7,508	8,262
Repairs and maintenance	7,477	7,636
Audit fee	17,800	17,600
Accountancy, taxation and legal fees	8,340	8,381
Office supplies	5,067	5,748
Salaries	259,479	260,772
Insurance premiums	4,198	3,659
Bank charges	4,530	4,205
Depreciation	3,700	4,142
Subscriptions	532	474
Employee welfare	13,498	9,689
	<u>(345,046)</u>	<u>(342,302)</u>
Balances carried forward	<u>121,914</u>	<u>145,741</u>

Detailed company profit and loss account

	2009 £	2008 £
Balances brought forward	121,914	145,741
Other income	147,991	210,667
Foreign exchange (loss)/gain	(19,942)	63,693
Interest receivable	34,533	96,469
Investment impairment	–	192,540
Profit for the year before taxation and dividend	<u>284,496</u>	<u>709,112</u>