

NOK UK Limited

**Directors' report and financial
statements**

Registered number 2531475

31 December 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of NOK UK Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Statement of total recognised gains and losses	7
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity and business review

The company holds fixed asset investments in limited partnerships. At the end of March 2003, NOK UK Limited sold its interests in Integral Accumulator KG, MF Chemitec GmbH & Co. KG and MF Chemitec Beteiligungs GmbH.

The directors consider the state of the company's affairs to be satisfactory. The results for the year are set out on page 4.

Proposed dividend

The directors recommend the payment of a dividend of £4,500,000.

Directors and directors' interests

The directors who held office during the year and subsequently were as follows:

M Tsuru	(resigned 15 September 2003)
K Soga	(resigned 15 September 2003)
A Watanabe	(appointed 15 September 2003)
T Yasumoro	(appointed 15 September 2003)
J Iida	(appointed 15 September 2003)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of the directors in the shares of the parent company and of the ultimate holding company are disclosed in the directors' report of those companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

A resolution for the reappointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


J Iida
Director

10 Norwich Street
London
EC4A 1BD

12 July 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of NOK UK Limited

We have audited the financial statements on pages 4 to 13.

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

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

14 July 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Administrative expenses		(63,769)	(56,539)
Operating loss		(63,769)	(56,539)
Other interest receivable and similar income	4	735,012	267,019
Profit on sale of investments		684,299	-
Profit on ordinary activities before taxation	2-4	1,355,542	210,480
Tax on profit on ordinary activities	5	(406,663)	(60,611)
Profit for the financial year		948,879	149,869
Dividend		(4,500,000)	-
Transfer to reserves	11	(3,551,121)	149,869

The results of the company arose entirely from continuing activities.

Balance sheet
at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Investments	6		3,830,397		5,716,998
Current assets					
Debtors	7	2,298,203		4,105,670	
Investments	8	2,500,000		-	
Cash at bank and in hand		217,193		1,582,296	
		<u>5,015,396</u>		<u>5,687,966</u>	
Creditors: amounts falling due within one year	9	<u>(542,938)</u>		<u>(438,526)</u>	
Net current assets			<u>4,472,458</u>		<u>5,249,440</u>
Net assets			<u>8,302,855</u>		<u>10,966,438</u>
Capital and reserves					
Called up share capital	10	5,000,000		5,000,000	
Profit and loss account	11	2,561,224		4,594,144	
Revaluation reserve	11	741,631		1,372,294	
		<u>8,302,855</u>		<u>10,966,438</u>	
Shareholders' funds - equity			<u>8,302,855</u>		<u>10,966,438</u>

These financial statements were approved by the board of directors on 12 July 2004 and were signed on its behalf by:


J Iida
Director

Cash flow statement
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Reconciliation of operating loss to net cash flow from operating activities			
Operating loss		(63,769)	(56,539)
Decrease in creditors		(20,613)	(15,162)
Net cash outflow from operating activities		(84,382)	(71,701)

Cash flow statement

Cash outflow from operating activities		(84,382)	(71,701)
Income received from associates		1,078,188	1,119,908
Returns on investments and servicing of finance	13	34,560	280,469
Taxation		(177,360)	(107,652)
Capital expenditure and financial investments	13	283,891	(4,871,209)
Cash inflow/(outflow) before management of liquid resources		1,134,897	(3,650,185)
Management of liquid resources	13	(2,500,000)	4,569,436
(Decrease)/increase in cash in the year		(1,365,103)	919,251

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year		(1,365,103)	919,251
Cash outflow/(inflow) from liquid resources		2,500,000	(4,569,436)
Movement in net funds in the year		1,134,897	(3,650,185)
Net funds at the start of the year		1,582,296	5,232,481
Net funds at the end of the year	14	2,717,193	1,582,296

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003 £	2002 £
Profit for the financial year	948,879	149,869
Unrealised profits of associates	706,156	1,390,737
Tax associated with unrealised profits of associates	(203,368)	(321,881)
Total recognised gains and losses relating to the financial year	1,451,667	1,218,725
Prior year adjustment	-	201,198
Total gains and losses recognised since last annual report	1,451,667	1,419,923

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003 £	2002 £
Profit for the financial year	948,879	149,869
Unrealised profits of associates (net of tax)	502,788	1,068,856
Tax adjustments in respect of previous years	384,750	-
Dividend	(4,500,000)	-
Net (reduction in)/addition to shareholders' funds	(2,663,583)	1,218,725
Opening shareholders' funds	10,966,438	9,747,713
Closing shareholders' funds	8,302,855	10,966,438

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.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of NOK Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of NOK Corporation, within which the company is included, can be obtained from the address given in note 16.

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Investments in limited partnerships

Investment in limited partnerships are shown in the balance sheet at the directors' valuation of the underlying net assets.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign 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.

Taxation

The charge for taxation is based on the profit 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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise investments in time deposits.

Notes (continued)

2 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	9,200	8,500
Other services - fees paid to the auditor and its associates	14,850	3,500
	<u> </u>	<u> </u>

3 Staff costs and remuneration of directors

The directors of the company received no remuneration during the year (2002: £nil). There were no other employees.

4 Other interest receivable and similar income

	2003 £	2002 £
Receivable from group undertakings	194,119	-
Other	37,943	122,655
Net exchange gains	502,950	144,364
	<u> </u>	<u> </u>
	735,012	267,019
	<u> </u>	<u> </u>

5 Taxation

Analysis of charge in year

	2003 £	2002 £
<i>UK corporation tax</i>		
Current tax on income for the period	406,663	60,611
	<u> </u>	<u> </u>
Tax charge on profit on ordinary activities	406,663	60,611
	<u> </u>	<u> </u>

Notes (continued)

5 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is the same as (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%).

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,355,542	210,480
Current tax at 30% (2002: 30%)	406,663	63,144
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	(2,533)
Total current tax charge (see above)	406,663	60,611

6 Fixed asset investments

Investments comprise the following:

<i>Cost and net book value</i>	Shares in group undertakings £
At beginning of year	286,169
Disposals	(286,169)
At end of year	-
<i>Valuation</i>	Associated undertakings £
At beginning of year	5,430,829
Disposals	(1,122,022)
Repayment of capital	(283,891)
Revaluation for the year	(194,519)
At end of year	3,830,397
Total investments	3,830,397

The repayment of capital is in respect of a reduction in the capital contribution of the company in Freudenberg Technical Products Limited Partnership.

Notes (continued)

6 Fixed asset investments (continued)

Associated undertakings

- A 24.9975% interest in an unincorporated limited partnership, Freudenberg Technical Products Limited Partnership, whose principal activity is the manufacture and distribution of fluid seals and related products. Its principal place of business is at Unit 1, Silverfox Way, New York Industrial Estate, North Shields, Tyne & Wear, United Kingdom.

Under the terms of the partnership agreement, the liability of the company in respect of the Freudenberg Technical Products Limited Partnership is restricted to its total capital contribution of £2,046,877 (2002: £2,330,768).

- A 24.9975% interest in an unincorporated limited partnership, Freudenberg Simrit Limited Partnership, whose principal activity is the marketing and distribution of fluid seals and related products. Its principal place of business is at Units 6-7 Wycliffe Industrial Estate, Leicester Road, Lutterworth, Leicestershire, LE17 4HG.

Under the terms of the partnership agreement, the liability of the company in respect of the Freudenberg Simrit Limited Partnership is restricted to its total capital contribution of £897,410 (2002: £897,410).

7 Debtors

	2003 £	2002 £
Amounts owed by group undertakings	2,298,203	4,105,670

Included within amounts owed by group undertakings is an interest bearing loan to NOK Europa GmbH of £2,251,551 (2002: £3,872,967). This loan attracts interest at 3.5%.

8 Investments (held as current assets)

	2003 £	2002 £
Other investments – time deposits	2,500,000	-

Notes (continued)

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	132,297	223,927
Corporation tax	409,344	192,689
Accruals and deferred income	1,297	21,910
	<hr/> 542,938	<hr/> 438,526

10 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	8,000,000	8,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	5,000,000	5,000,000
	<hr/>	<hr/>

11 Reserves

	Revaluation reserve £	Profit and loss account £
At start of year	1,372,294	4,594,144
Retained loss for the year	-	(3,551,121)
Income received from associates	(1,078,188)	1,078,188
Tax associated with income received from associates	323,456	(323,456)
Unrealised profits of associates	706,156	-
Tax associated with unrealised profits of associates	(203,368)	-
Tax adjustments in respect of previous years	(378,719)	763,469
	<hr/> 741,631	<hr/> 2,561,224
At end of year	<hr/>	<hr/>

12 Commitments

As at 31 December 2003 the company had no capital commitments (2002: £nil).

Notes (continued)

13 Analysis of cash flows

	£	2003 £	2002 £
Returns on investment and servicing of finance			
Interest received	37,710	280,469	
Exchange loss	(3,150)	-	
		<u>34,560</u>	<u>280,469</u>
Capital expenditure and financial investment			
Purchase of fixed asset investments	-	(1,173,224)	
Loans to group undertakings	-	(3,872,967)	
Repayment of capital	283,891	174,982	
		<u>283,891</u>	<u>(4,871,209)</u>
Management of liquid resources (Purchase)/disposal of time deposits		<u>(2,500,000)</u>	<u>4,569,436</u>

14 Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	1,582,296	(1,365,103)	217,193
Current asset investments	-	2,500,000	2,500,000
Total	<u>1,582,296</u>	<u>1,134,897</u>	<u>2,717,193</u>

15 Related party disclosures

During the year the company had certain investments in group undertakings and associated undertakings and the movements in these investments are set out in note 6.

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate holding company is NOK Corporation, a company incorporated in Japan. The company's immediate holding company is NOK Europa GmbH, incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by NOK Corporation. The consolidated accounts of this company are available to the public and may be obtained from NOK Corporation, 1-12-15 Shiba, Minato-Ku, Tokyo 105-8585, Japan.