

Nitto U.K. Limited

Directors' report and financial statements

Registered number 1858291

31 March 2004



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Nitto U.K. Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activity of the company for the first six months of the year continued to be the sale and distribution of products for the protection and coating of electrical, electronic and other industrial products. The principal activity of the company for the last six months of the year was that of an agent for sales of products manufactured and distributed by the immediate parent company.

Business review

The directors are optimistic about the long-term prospects and will continue to pursue existing markets and new markets as a priority. Profit for the year after taxation was £253,711 (2003: Profit £218,359).

Proposed dividend

The directors have recommended a dividend of £1,000,000 (2003: £Nil).

Directors and directors' interests

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

J Broekmans

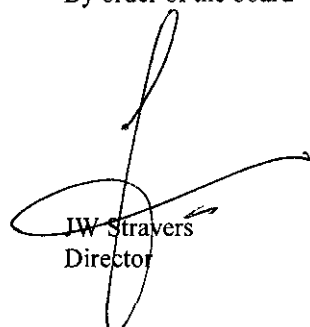
JW Stravers

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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



JW Stravers
Director

Unit 2, Berkshire Business Centre
Berkshire Drive
Thatcham
Berkshire
RG19 4EW

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 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

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

**Report of the independent auditors to the members of
Nitto U.K. Limited**

We have audited the financial statements on pages 4 to 14.

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 March 2004 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*

2 August 2004

Profit and loss account
for the year ended 31 March 2004

	<i>Note</i>	2004 £	2003 £
Turnover	2	4,024,597	6,484,934
Cost of sales		(2,975,844)	(5,428,920)
Gross profit		1,048,753	1,056,014
Distribution costs		(237,869)	(610,964)
Administrative expenses		(533,554)	(379,730)
Operating profit	3-5	277,330	65,320
Other operating income	6	69,648	172,113
Other interest receivable and similar income	7	17,037	13,417
Profit on ordinary activities before taxation		364,015	250,850
Tax on profit on ordinary activities	8	(103,141)	(32,491)
Profit after taxation		260,874	218,359
Dividends	9	(1,000,000)	-
(Loss)/profit for the financial year	16	(739,126)	218,359
Retained profit at beginning of year		1,126,565	908,206
Retained profit at end of year		387,439	1,126,565

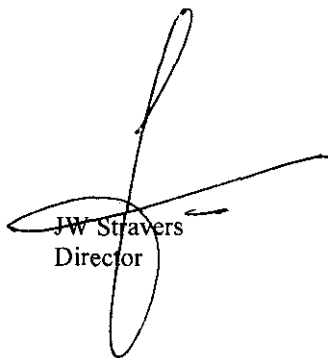
There were no recognised gains or losses during the current or preceding period, other than those passing through the profit and loss account.
All of the activities of the company are continuing.

Balance sheet
at 31 March 2004

	Note	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	10		50,315		98,753
Current assets					
Stocks	11	-		133,031	
Debtors	12	146,259		1,386,628	
Cash at bank and in hand		1,358,764		442,030	
		1,505,023		1,961,689	
Creditors: amounts falling due within one year	14	(1,117,899)		(883,877)	
Net current assets			387,124		1,077,812
Total assets less current liabilities			437,439		1,176,565
Capital and reserves					
Called up share capital	15	50,000		50,000	
Profit and loss account		387,439		1,126,565	
Equity shareholders' funds	16		437,439		1,176,565

These financial statements were approved by the board of directors on behalf by:

May '04 and were signed on its


JW Stravers
Director

12 July 2004

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 except as noted below.

Basis of preparation

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

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the cashflows of the company within its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Nitto Europe BV, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Nitto Europe BV, within which the results of this company are included, can be obtained from the address given in note 18.

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:

IT equipment	-	33 1/3 % per annum
Machinery		20% per annum
Motor vehicles	-	20-33% per annum
Fixtures and fittings	-	4-20% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals receivable and payable are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension contributions

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes (continued)

1 Accounting policies (continued)

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.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. The principal activity of the company changed from 1 October 2003 to that of an agent. Turnover from that date represents commissions receivable.

2 Turnover

	2004 £	2003 £
As distributor	3,398,905	6,484,934
As agent	625,692	-
	<hr/>	<hr/>
	4,024,597	6,484,934
	<hr/>	<hr/>

3 Remuneration of directors

Aggregate directors' remuneration was as follows:

	2004 £	2003 £
Directors' emoluments	21,450	123,792
Pension contributions	-	151,264
	<hr/>	<hr/>
	21,450	275,056
	<hr/>	<hr/>

During the year, the company made contributions to the money purchase pension scheme. There were no directors for which the company made contributions (2003: 1 director).

Notes (continued)

4 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	
	2004	2003
Sales and distribution	6	11
Administration	5	6
	<u>11</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	431,052	367,506
Social security costs	40,488	56,588
Other pension costs	18,077	181,757
	<u>489,617</u>	<u>605,851</u>

5 Profit/(loss) on ordinary activities before taxation

	2004 £	2003 £
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation	52,388	84,132
Auditors' remuneration:		
Audit	12,500	12,910
Other services - fees paid to the auditor and its associates	5,000	5,155
Operating lease rentals - land and buildings	44,668	46,690
Foreign exchange profit	(6,241)	(6,389)
Gain on sale of fixed assets	(34,547)	(20,180)
	<u></u>	<u></u>

6 Other operating income

	2004 £	2003 £
Commission received from parent company	67,428	170,358
Other operating income	2,220	1,755
	<u>69,648</u>	<u>172,113</u>

Notes (continued)

7 Other interest receivable and similar income

	2004 £	2003 £
Interest receivable on bank balances	17,037	13,417

8 Taxation

Analysis of charge in period

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	115,000	25,000
Adjustments in respect of prior periods	(4,696)	18,136
Total current tax	110,304	43,136
Deferred tax (see note 11)	(7,163)	(10,645)
Tax on profit on ordinary activities	103,141	32,491

Factors affecting the tax charge for the current period

The differences are explained below.

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	364,015	250,850
Current tax at 30% (2003: 30%)	109,205	75,255
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,138	(58,185)
Depreciation in excess of capital allowances	1,588	7,930
Adjustments to tax charge in respect of previous periods	(4,696)	18,136
Other adjustments	3,069	-
Total current tax charge/credit (see above)	110,304	43,136

Notes (continued)

9 Dividends

	2004 £	2003 £
Proposed dividends	1,000,000	-

10 Tangible fixed assets

	IT equipment £	Machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At beginning of year	50,232	7,475	166,142	192,986	416,835
Additions	1,209	-	-	2,741	3,950
Disposals	-	-	(73,239)	(9,000)	(89,239)
At end of year	51,441	7,475	92,903	186,727	331,546
Depreciation					
At beginning of year	47,740	7,475	117,859	145,008	318,082
Charge for year	1,756	-	32,992	17,639	52,388
On disposals	-	-	(73,239)	9,000	89,239
At end of year	49,496	7,475	77,613	153,647	281,231
Net book value					
At 31 March 2004	1,945	-	15,291	33,080	50,315
At 31 March 2003	2,492	-	48,283	47,978	98,753

11 Stocks

	2004 £	2003 £
Finished goods and goods for resale	-	133,031

12 Debtors

	2004 £	2003 £
Trade debtors	2,408	1,348,586
Commission receivable from parent undertaking	107,833	
Corporation tax debtor	-	1,596
VAT recoverable	8,413	-
Deferred tax asset	17,808	10,645
Prepayments and accrued income	9,797	25,801
	<u>146,259</u>	<u>1,386,628</u>

The deferred tax asset is in respect of timing differences between capital allowances and depreciation.

13 Deferred tax asset

	2004 £	2003 £
Deferred tax asset (see note 9)	<u>17,808</u>	<u>10,645</u>
	2004 £	2003 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>59,362</u>	<u>35,483</u>
Deferred tax asset at 30%	<u>17,808</u>	<u>10,645</u>
	2004 £	2003 £
Asset at beginning of period	10,645	-
Deferred tax movement for the period (see note 9)	<u>7,163</u>	<u>10,645</u>
Asset at end of period	<u>17,808</u>	<u>10,645</u>

14 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	14,083	38,346
Amounts owed to parent undertakings	3,224	488,022
Corporation tax	55,000	5,000
Taxation and social security	8,804	311,504
Accruals and deferred income	36,788	41,005
Proposed dividends	1,000,000	-
	<hr/>	<hr/>
	1,117,899	883,877
	<hr/>	<hr/>

15 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
Equity: 200,000 Ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

Notes *(continued)*

16 Movement on equity shareholders' funds

	2004 £	2003 £
Opening equity shareholders' funds	1,176,565	958,206
Profit in financial year	260,874	218,359
Dividends	(1,000,000)	
	<hr/>	<hr/>
Closing equity shareholders' funds	437,439	1,176,565
	<hr/>	<hr/>

Notes (continued)

17 Commitments

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

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	46,690	-	46,690	-
	<hr/>	<hr/>	<hr/>	<hr/>
	46,690	-	46,690	-
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension

The company operates a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the company. Contributions payable to the pension scheme for the year was £18,077 (2003: £181,757). At the balance sheet date there were no outstanding or prepaid contributions (2003: £nil).

19 Parent undertaking

The company is a wholly owned subsidiary undertaking of Nitto Europe BV, a company registered in Belgium which is the immediate parent undertaking.

The ultimate holding company is Nitto Denko Corporation, a company incorporated in Japan.

The smallest group in which the results of the company are consolidated is Nitto Europe BV. Copies of these accounts are available from B3600 Genk, 22 Eikelaarstraat, Belgium.

The largest group in which the results of the company are consolidated is that headed by the ultimate parent company. Copies of these accounts are available from Nitto Denko Corporation, Osaka 567-8680, Japan.

As the company is a wholly owned subsidiary of Nitto Europe NV, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and Financial Reporting Standard No 1 and has not disclosed transactions or balances with entities which form part of the group, or prepared a cash flow statement.