

Registration number 03672105

# LK Group Limited

Director's Report and Financial Statements

for the Period from 1 January 2010 to 31 March 2011

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## LK Group Limited

### Company Information

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|--------------------------|--|
| <b>Director</b>          | Mr K Yoshikawa   |
| <b>Company secretary</b> | Mr A Tsurumi   |
| <b>Registered office</b> | Argosy Road<br>Nottingham East Midlands Airport<br>Castle Donington<br>Derby<br>DE74 2SA                   |
| <b>Solicitors</b>        | Molesworth Bright Clegg<br>Octagon House<br>25-27 Yorkshire Street<br>Rochdale<br>OL16 1RH                 |
| <b>Auditor</b>           | Deloitte LLP<br>Chartered Accountants and Statutory Auditor<br>1 Woodborough Road<br>Nottingham<br>NG1 3FG |

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# LK Group Limited

## Director's Report for the Period from 1 January 2010 to 31 March 2011

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The director presents his report and the audited financial statements for the period from 1 January 2010 to 31 March 2011

### **Principal activity**

The principal activity of the company is to act as an intermediate holding company

### **Business review**

#### ***Fair review of the business***

During the period the company sold its shares in its subsidiary undertaking Nikon Metrology UK Limited to its immediate parent undertaking Nikon Metrology NV for book value. No profit or loss arose on the transaction. There have been no movements in the profit and loss account in the year, other than the payment of interest in respect of borrowings from group undertakings. At the end of the year, the company had net liabilities amounting to £4,842,000.

The company extended its annual reporting date during the period to 31 March to bring it in to line with the reporting date of its ultimate parent company, the Nikon Corporation. Accordingly, these financial statements are for the 15 month period from 1 January 2010 to 31 March 2011.

#### ***Principal risks and uncertainties***

The company does not undertake any transactions external to the group and is entirely funded by intergroup borrowings. It is therefore not exposed to any significant risks relating to liquidity, interest rates, foreign currency movements or credit risks.

### **Future developments**

The director does not expect the company to trade in future years, and the only movements that may arise relate to the payment of interest to group undertakings.

### **Director of the company**

The director who held office during the period and to the date of this report was as follows:

Mr K Yoshikawa (appointed 1 January 2010)

### **Director's liabilities**

The company has granted an indemnity to its director against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the director's report.

### **Going concern**

The company is dependent on continuing finance being made available by its immediate parent company to enable it to meet its liabilities as they fall due. The immediate parent company, Nikon Metrology NV, has expressed its willingness to provide financial support to LK Group Limited in order to assist the company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

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# LK Group Limited

## Director's Report for the Period from 1 January 2010 to 31

March 2011

*continued*

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### Going concern (continued)

Given the loss in the year, and the excessive liabilities and shareholders' deficit reported within the balance sheet, the director has a duty to be satisfied that there is sufficient evidence that the immediate parent has the ability, as well as the intention, to provide finance support for the company for the foreseeable future. Having made the assessment, the director is satisfied of this for the following reasons:

- The Nikon Metrology group (including LK Group Limited) was acquired by Nikon Corporation in October 2009, and subsequently all external debt owed by the Nikon Metrology group was repaid via short term funding from Nikon Corporation.

- Nikon Corporation have reviewed and approved the 5-year business plan of the Nikon Metrology group, and on the 28th September 2010 restructured the balance sheet of Nikon Metrology NV through the conversion of €77m of short term borrowing into capital. In addition Nikon Corporation created two new long term loan agreements, €35m to be repaid within ten years and €42m to be repaid within seven years. Finally Nikon Corporation opened a short-term working capital facility of €22m. The calculation of these loan and working capital facilities are in line with prudent expectations contained within the 5-year Nikon Metrology group plan.

- The directors of Nikon Metrology NV have confirmed in writing their intention to provide sufficient financial support for all UK subsidiaries.

The director recognises that there is uncertainty as to the amount and timing of cashflows to the company from the intermediate parent and other Nikon Metrology companies. However, based upon parent company support, the group business plan and his assessment of the ability of the group to continue within the current funding arrangements the director has concluded that the company will continue in operational existence for the foreseeable future and so has adopted the going concern basis of accounting in preparing these financial statements.

### Disclosure of information to the auditor

The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he knows of and which he knows the auditor is unaware of. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the director on 25/4/12



Mr K Yoshikawa  
Director

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## LK Group Limited

### Statement of Director's Responsibilities

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The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## Independent Auditor's Report to the Members of LK Group Limited

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We have audited the financial statements of LK Group Limited for the period from 1 January 2010 to 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 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 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 auditor**

As explained more fully in the Statement of Director's Responsibilities (set out on page 4), the director is 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the period 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 Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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## Independent Auditor's Report to the Members of LK Group Limited

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### **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

*Alistair Pritchard FCA*

Alistair Pritchard FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, United Kingdom

Date *26 April 2012*

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## LK Group Limited

### Profit and Loss Account for the Period from 1 January 2010 to 31 March 2011

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|  | Note | 1 January<br>2010 to 31<br>March 2011<br>£ 000 | Year ended<br>31 December<br>2009<br>£ 000 |
|--|------|--|--|
| Interest payable and similar charges               | 5    | (6)  | (19)                                       |
| <b>Loss on ordinary activities before taxation</b> |      | (6)  | (19)                                       |
| Tax on loss on ordinary activities                 | 6    | -  | -  |
| <b>Loss for the financial period</b>               | 11   | (6)  | (19)                                       |

Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains or losses for the period other than the results above

The notes on pages 9 to 16 form an integral part of these financial statements

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**LK Group Limited (Registration number: 03672105)**  
**Balance Sheet at 31 March 2011**

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|   | Note | 31 March<br>2011<br>£ 000 | 31 December<br>2009<br>£ 000 |
|---|------|---------------------------|------------------------------|
| <b>Fixed assets</b>   |      |                           |                              |
| Investments   | 7    | 11,428                    | 11,534                       |
| <b>Current assets</b>   |      |                           |                              |
| Debtors   | 8    | 100                       | -                            |
| <b>Total assets less current liabilities</b>                  |      | 11,528                    | 11,534                       |
| <b>Creditors Amounts falling due after more than one year</b> | 9    | (16,370)                  | (16,370)                     |
| <b>Net liabilities</b>  |      | (4,842)                   | (4,836)                      |
| <b>Capital and reserves</b>                                   |      |                           |                              |
| Called up share capital                                       | 10   | 12                        | 12                           |
| Share premium account   | 11   | 16,888                    | 16,888                       |
| Profit and loss account                                       | 11   | (21,742)                  | (21,736)                     |
| <b>Shareholders' deficit</b>                                  | 12   | (4,842)                   | (4,836)                      |

These financial statements were approved and authorised for issue by the director on 25/4/12



Mr K Yoshikawa  
Director

The notes on pages 9 to 16 form an integral part of these financial statements

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

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### 1 Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies are described below and have been applied consistently with the prior period.

The company extended its annual reporting date during the period to 31 March to bring it in to line with the reporting date of its ultimate parent company, the Nikon Corporation. Accordingly, these financial statements are for the 15 month period from 1 January 2010 to 31 March 2011, with the comparative period being for the 12 months to 31 December 2009.

#### Cash flow statement

As the company is a wholly owned subsidiary and its parent publishes consolidated financial statements, the director has taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements.

#### Going concern

The company is dependent on continuing finance being made available by its immediate parent company to enable it to meet its liabilities as they fall due. The immediate parent company, Nikon Metrology NV, has expressed its willingness to provide financial support to LK Group Limited in order to assist the company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

Given the loss in the year, and the excessive liabilities and shareholders' deficit reported within the balance sheet, the director has a duty to be satisfied that there is sufficient evidence that the immediate parent has the ability, as well as the intention, to provide finance support for the company for the foreseeable future. Having made the assessment, the director is satisfied of this for the following reasons:

- The Nikon Metrology group (including LK Group Limited) was acquired by Nikon Corporation in October 2009, and subsequently all external debt owed by the Nikon Metrology group was repaid via short term funding from Nikon Corporation.
- Nikon Corporation have reviewed and approved the 5-year business plan of the Nikon Metrology group, and on the 28th September 2010 restructured the balance sheet of Nikon Metrology NV through the conversion of €77m of short term borrowing into capital. In addition Nikon Corporation created two new long term loan agreements, €35m to be repaid within ten years and €42m to be repaid within seven years. Finally Nikon Corporation opened a short-term working capital facility of €22m. The calculation of these loan and working capital facilities are in line with prudent expectations contained within the 5-year Nikon Metrology group plan.
- The directors of Nikon Metrology NV have confirmed in writing their intention to provide sufficient financial support for all UK subsidiaries.

The director recognises that there is uncertainty as to the amount and timing of cashflows to the company from the intermediate parent and other Nikon Metrology companies. However, based upon parent company support, the group business plan and his assessment of the ability of the group to continue within the current funding arrangements the director has concluded that the company will continue in operational existence for the foreseeable future and so has adopted the going concern basis of accounting in preparing these financial statements.

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 1 Accounting policies (continued)

#### **Exemption from preparing group financial statements**

The company is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

#### **Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### **Deferred tax**

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

### 2 Auditor's remuneration

The auditor's remuneration for the period has been borne by Nikon Metrology UK Limited.

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 3 Particulars of employees

The average number of persons employed by the company (including the director) during the period, analysed by category was as follows

|            | 1 January<br>2010 to 31<br>March 2011<br>No | Year ended<br>31 December<br>2009<br>No |
|------------|---|---|
| Management | <u>1</u>                                    | <u>1</u>                                |

### 4 Director's remuneration

For the period to 31 March 2011 and the year to 31 December 2009 the director's emoluments have been borne by another group company. The director is also a director or officer of a number of companies within the Nikon Corporation. The director's services to the company do not occupy a significant amount of his time. As such the director does not consider that he has received any remuneration for his incidental services to the company for the period.

### 5 Interest payable and similar charges

|   | 1 January<br>2010 to 31<br>March 2011<br>£ 000 | Year ended<br>31 December<br>2009<br>£ 000 |
|---|--|--|
| Interest on loans from group undertakings | <u>6</u>                                       | <u>19</u>                                  |

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 6 Taxation

#### Tax on loss on ordinary activities

|                    | 1 January<br>2010 to 31<br>March 2011<br>£ 000 | Year ended<br>31 December<br>2009<br>£ 000 |
|--------------------|--|--|
| <b>Current tax</b> |  |  |
| UK Corporation tax | -  | -  |

#### Factors affecting current tax charge for the period

Tax on loss on ordinary activities for the period is higher than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%)

The differences are reconciled below

|   | 1 January<br>2010 to 31<br>March 2011<br>£ 000 | Year ended<br>31 December<br>2009<br>£ 000 |
|---|--|--|
| Loss on ordinary activities before taxation | (6)  | (19)                                       |
| Corporation tax at standard rate            | (2)  | (5)  |
| Expenses not deductible for tax purposes    | 2  | 5  |
| Total current tax                           | -  | -  |

#### Factors that may affect future tax charges

The Finance Act (No 2) 2010, which provides for a reduction in the main rate of UK corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July 2010

On 23 March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

In addition, the tax amortisation on plant and machinery capital additions will be reduced from 20% to 18% per annum from 1 April 2012. The full impact of these changes has yet to be ascertained but it is likely that the company will have a lower UK effective tax rate on any future taxable profits.

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 7 Investments held as fixed assets

|                              | 31 March<br>2011<br>£ 000 | 31 December<br>2009<br>£ 000 |
|------------------------------|---------------------------|------------------------------|
| Shares in group undertakings | -                         | 100                          |
| Loans to group undertakings  | 11,428                    | 11,434                       |
|                              | <u>11,428</u>             | <u>11,534</u>                |

#### Shares in group undertakings

|                       | Subsidiary<br>undertakings<br>£ 000 |
|-----------------------|-------------------------------------|
| <b>Cost</b>           |                                     |
| At 1 January 2010     | 100                                 |
| Disposals             | <u>(100)</u>                        |
| At 31 March 2011      | <u>-</u>                            |
| <b>Net book value</b> |                                     |
| At 31 March 2011      | <u>-</u>                            |
| At 31 December 2009   | <u>100</u>                          |

#### Loans to group undertakings

|                   | Subsidiary<br>undertakings<br>£ 000 |
|-------------------|-------------------------------------|
| At 1 January 2010 | 11,434                              |
| Repaid            | <u>(6)</u>                          |
| At 31 March 2011  | <u>11,428</u>                       |

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 7 Investments held as fixed assets (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

| Subsidiary undertaking              | Holding  | Proportion of shares held | Country of incorporation |
|-------------------------------------|----------|---------------------------|--------------------------|
| LK Investments Limited              | Ordinary | 100%                      | England and Wales        |
| Metris Asia Pacific Limited*        | Ordinary | 99%                       | Hong Kong                |
| Metris Precision Products Shanghai* | Ordinary | 100%                      | China                    |

\*indirect holdings

All subsidiary companies were dormant during the period

### 8 Debtors

|                                    | 31 March<br>2011<br>£ 000 | 31 December<br>2009<br>£ 000 |
|------------------------------------|---------------------------|------------------------------|
| Amounts owed by group undertakings | <u>100</u>                | <u>-</u>                     |

### 9 Creditors Amounts falling due after more than one year

|                                    | 31 March<br>2011<br>£ 000 | 31 December<br>2009<br>£ 000 |
|------------------------------------|---------------------------|------------------------------|
| Amounts owed to group undertakings | <u>16,370</u>             | <u>16,370</u>                |

The long term loan from the intermediate parent undertaking, Nikon Metrology NV, has no fixed repayment period. The intermediate parent undertaking has indicated that they will not seek repayment of the loan in the foreseeable future.

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# LK Group Limited

## Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

*continued*

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### 10 Share capital

#### Allotted, called up and fully paid shares

|                                   | 31 March 2011 |           | 31 December 2009 |           |
|-----------------------------------|---------------|-----------|------------------|-----------|
|                                   | No 000        | £ 000     | No 000           | £ 000     |
| "A" ordinary shares of £0.01 each | 144           | 1         | 144              | 1         |
| "B" ordinary shares of £0.01 each | 1,100         | 11        | 1,100            | 11        |
|                                   | <u>1,244</u>  | <u>12</u> | <u>1,244</u>     | <u>12</u> |

The different classes of share capital rank equally in all respects

### 11 Reserves

|                     | Share premium account<br>£ 000 | Profit and loss account<br>£ 000 | Total<br>£ 000 |
|---------------------|--------------------------------|----------------------------------|----------------|
| At 1 January 2010   | 16,888                         | (21,736)                         | (4,848)        |
| Loss for the period | -                              | (6)                              | (6)            |
| At 31 March 2011    | <u>16,888</u>                  | <u>(21,742)</u>                  | <u>(4,854)</u> |

### 12 Reconciliation of movement in shareholders' deficit

|   | 1 January 2010 to 31 March 2011<br>£ 000 | Year ended 31 December 2009<br>£ 000 |
|---|--|--------------------------------------|
| Loss attributable to the members of the company | (6)                                      | (19)                                 |
| Shareholders' deficit at start of period        | <u>(4,836)</u>                           | <u>(4,817)</u>                       |
| Shareholders' deficit at end of period          | <u>(4,842)</u>                           | <u>(4,836)</u>                       |

### 13 Related party transactions

As a subsidiary undertaking of the Nikon Corporation, the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group headed by the Nikon Corporation

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## LK Group Limited

### Notes to the Financial Statements for the Period from 1 January 2010 to 31 March 2011

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#### **14 Ultimate parent undertaking and controlling entity**

The company is controlled by the Nikon Corporation. On 31 March 2011 the company's immediate parent undertaking was Nikon Metrology NV, which in turn was a wholly owned subsidiary of the Nikon Corporation, a listed company incorporated in Japan. In the director's opinion, the Nikon Corporation was the company's ultimate parent undertaking and controlling party at that date.

At the year end the largest and smallest group of which LK Group Limited was a member and for which group financial statements were drawn up was headed by the Nikon Corporation. Copies of the group financial statements, which include those of the company, are available from Fuji Building, 3-2-3 Marunouchi, Chiyoda-ku, TOKYO 100-8331, Japan.