

Financial Statements Horiba Instruments Limited

For the year ended 31 December 2010

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Company No. 1332851

Company information

Company registration number:	1332851
Registered office:	100 New Bridge Street LONDON EC4V 6JA
Directors:	R C Drake J Eaton S Knight Y Muroga T Nagano
Secretary:	Abogado Nominees Limited Mrs A L Arnold
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House Kettering Parkway Kettering Venture Park KETTERING Northants NN15 6XR

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Report of the directors

The directors present their report together with financial statements for the year ended 31 December 2010

Principal activities

The company is principally engaged in the assembly and distribution of analytical instruments and systems, and in the distribution of fluid control devices

Fair review of the business and future developments

The directors are pleased to report a successful year in 2010. Sales have trebled to £48.9m (2009 £16.3m) while a profit before taxation of £3.01m was achieved compared to a loss of £0.04m in 2009. Sales of emissions measurement and engine test equipment increased by 51.7% compared to 2009 while products for the Semiconductor and related industries increase by a factor of 5.0.

The order book increased by £1.5m during the year, mainly from the semiconductor and related industries. This will provide a good start to the business in 2011. The directors are expecting a positive result for 2011, albeit not at the high levels achieved in 2010.

There was a profit for the year after taxation amounting to £2,154,193 (2009 Loss of £41,173).

Principal risks and uncertainties

The management of the business and the nature of the company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

General economic factors

Although 2010 proved to be better than expected, the general economic conditions continue to present a substantial risk to the business. Management has sought to mitigate this risk by diversifying into a range of business areas and by developing products which provide cost savings to the customers.

High proportion of fixed overheads and variable revenues

A large number of the company's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs.

Management closely monitor fixed overheads against budget on a monthly basis and exercises a tight control over any increases. The substantial increase in revenue in 2010 has been achieved with the addition of just 2 staff members. Cost saving exercises are implemented when there is an anticipated decline in revenues.

Legislation changes affecting the business

One of the industries in which the company operates is affected by changes in government legislation in respect of engine emissions. Future changes in legislation will therefore impact on the company's ability to generate future sales.

Management aim to mitigate such risks by diversifying into markets outside the automotive industry, such as the semiconductor industry and related technologies, and by increasing sales outside the UK mainly through other group companies.

Principal risks and uncertainties (continued)

Volatility in the Semiconductor Industry

The semiconductor industry is renowned for fluctuating levels of activity, particularly in the provision of capital equipment. As a supplier to capital equipment manufacturers in the industry, the company is vulnerable to rapid fluctuations in demand. Management has sought to overcome these by diversifying into related industries, such as photo-voltaic device and LED manufacturing equipment.

Research and development

The company continues to invest in products for engine emissions analysis and measurement and products for the semiconductor and photovoltaic industries. We believe continued investment in our research and development is fundamental to the growth of the business.

Key performance indicators

Financial

- 1 Turnover and gross profit are key measures of the company's performance. Sales for the year were £48.9m (2009 £16.3m), and the gross profit was £6.8m (2009 £2.9m).
- 2 Overall profitability is a key indicator of the company's performance. The profit before tax for the financial year was £3.01m (2009 £0.04m loss).
- 3 Net worth is seen as an important target for the business. At the year end, the level of shareholders' funds was £4.9m (2009 £2.8m).

Directors

The present membership of the Board is set out below:

R C Drake
J A Eaton
S A Knight (appointed 25 November 2010)
Y Muroga
T Nagano

Financial risk management objectives and policies

The company uses various financial instruments, these include cash, bank loan and various items such as trade debtors and trade creditors that arise directly from its operations. The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Our policy has been to have cash available within the bank current account whilst at the same time having funding facilities available to maintain short term flexibility.

Financial risk management objectives and policies (continued)

Interest rate risk

The company finances its operations through a mixture of bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities and by competition between the banks providing the facilities.

Credit risk

The company's principal financial assets are cash and trade debtors.

The principal credit risk lies with trade debtors. In order to manage credit risk the directors set limits for all customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and 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
- 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Land and buildings

The directors are of the opinion that in aggregate the market value of the land and buildings exceeds the book value of the assets. However, no formal valuation has been carried out to determine the amount of this excess since February 2005.

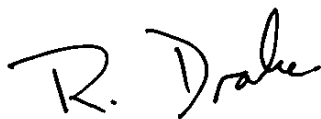
Dividends

The directors recommend a dividend payment of 50% of the profits after taxation, which amounts to £1,077,000, to be made in April 2011 subject to a liquidity forecast immediately prior to payment

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read 'R. Drake', written in a cursive style.

R C Drake
Director

12th January 2011



Independent auditor's report to the members of Horiba Instruments Limited (registered number 1332851)

We have audited the financial statements of Horiba Instruments Limited for the year ended 31 December 2010 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes. 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 Directors' Responsibilities Statement set out on page 5, 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 directors, and the overall presentation of the financial statements.

Opinion of 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 December 2010 and of its result 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.



Independent auditor's report to the members of
Horiba Instruments Limited
(registered number 1332851)

Opinion on other matters 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

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

A handwritten signature in black ink, appearing to read "Steve Robinson".

Steve Robinson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering

17 January 2011

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

Turnover

Turnover is the revenue arising from the sales of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms

Revenue from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary and consolidated accounts are publicly available

Intangible fixed assets

Intellectual Property Rights are included at cost and amortised on a straight-line basis over their useful economic life of 4 years

Tangible fixed assets and depreciation

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

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold land by equal monthly instalments from the month of purchase to the month of disposal. The rates generally applicable are

Freehold buildings	2% per annum
Plant and equipment	10% - 33% per annum
Motor vehicles	25% - 33% per annum

Research and development

Research expenditure when incurred is charged to profits in the period in which it is incurred. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

Stocks

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Retirement benefits

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable in respect of the accounting period.

Leased assets

Operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	48,943,421	16,266,511
Cost of sales		<u>(42,158,668)</u>	<u>(13,378,772)</u>
Gross profit		6,784,753	2,887,739
Other operating income and charges		<u>(3,690,173)</u>	<u>(2,887,379)</u>
Operating profit		3,094,580	360
Net interest	2	<u>(84,125)</u>	<u>(55,659)</u>
Profit/(loss) on ordinary activities before taxation	1	3,010,455	(55,299)
Tax on profit/(loss) on ordinary activities	4	<u>(856,262)</u>	<u>14,126</u>
Profit/(loss) on ordinary activities after taxation transferred to reserves	12	<u>2,154,193</u>	<u>(41,173)</u>

All of the activities are classed as continuing

There were no recognised gains or losses other than the profit for the financial year

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	6		2,307,090		2,074,691
Current assets					
Stocks	7	6,224,232		4,310,398	
Debtors	8	9,062,413		4,395,123	
Cash at bank and in hand		<u>1,708,019</u>		<u>507,437</u>	
			16,994,664		9,212,958
Creditors: amounts falling due within one year	9	<u>(14,346,847)</u>		<u>(8,494,404)</u>	
Net current assets			<u>2,647,817</u>		<u>718,554</u>
Total assets less current liabilities			4,954,907		2,793,245
Provisions for liabilities and charges	10		<u>(31,800)</u>		<u>(24,331)</u>
			<u>4,923,107</u>		<u>2,768,914</u>
Capital and reserves					
Called up share capital	11		1,100,000		1,100,000
Profit and loss account	12		<u>3,823,107</u>		<u>1,668,914</u>
Shareholders' funds	13		<u>4,923,107</u>		<u>2,768,914</u>

These financial statements were approved by the directors and authorised for issue on 12th January 2011 and are signed on their behalf by

R. Drake.

R C Drake
Director

Company registration number 1332851

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

Turnover is attributable to one activity as detailed in the Report of the Directors, and is attributable to the following geographical markets

	2010 £	2009 £
UK	19,580,484	7,682,525
Europe	27,460,516	7,816,717
Rest of World	1,902,421	767,269
	<u>48,943,421</u>	<u>16,266,511</u>

The profit/(loss) on ordinary activities before taxation is stated after

	2010 £	2009 £
Auditor's remuneration	26,450	23,600
Depreciation		
Tangible fixed assets, owned	132,894	125,861
Amortisation of intangible assets	-	25,000
Other operating lease rentals	111,877	94,036
Foreign exchange (gains)/losses	121,091	76,739
	<u>269,312</u>	<u>320,236</u>

2 Net interest

	2010 £	2009 £
On bank loans and overdrafts	88,060	55,751
Other interest receivable and similar income	(3,935)	(92)
	<u>84,125</u>	<u>55,659</u>

3 Directors and employees

Staff costs during the year were as follows

	2010 £	2009 £
Wages and salaries	4,040,561	3,489,138
Social security costs	537,384	472,951
Other pension and benefit costs	442,946	403,498
	<u>5,020,891</u>	<u>4,365,587</u>

Directors and employees (continued)

The average number of employees of the company during the year were as follows

	2010	2009
	Number	Number
Engaged in UK operations	90	88
Seconded to other group companies	5	5
	95	93

Remuneration in respect of directors was as follows

	2010	2009
	£	£
Emoluments (including benefits in kind)	248,345	204,591
Pension contributions to money purchase pension schemes	53,948	22,748
	302,293	227,339

Remuneration in respect of the highest paid director was as follows

	2010	2009
	£	£
Emoluments (including benefits in kind)	140,255	128,512
Pension contributions to money purchase pension schemes	7,000	6,358
	147,255	134,870

During the year 3 directors (2009 - 2) participated in money purchase pension schemes

4 Taxation on profit on ordinary activities

The tax charge/(credit) represents

	2010	2009
	£	£
Corporation tax @ 28% (2009 - 28.5%) and total current tax	851,369	(20,305)
Total current tax	851,369	(20,305)
Over provision in prior year	(2,576)	(200)
Origination and reversal of timing differences and total deferred tax (note 10)	7,469	6,379
Tax on profit/(loss) on ordinary activities	856,262	(14,126)

Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge/(credit) for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28.5%) The differences are explained as follows

	2010 £	2009 £
Profit/(loss) on ordinary activities before tax	<u>3,010,455</u>	<u>(55,299)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28.5%)	842,927	(15,484)
Effects of		
Expenses/(income) not deductible for tax purposes	9,303	(9,331)
Differences between capital allowances and depreciation	(12,918)	4,329
Carry back of trading losses	-	19,951
Adjustments to tax charge in respect of prior periods	(2,576)	(21,756)
Other timing differences	<u>12,057</u>	<u>1,986</u>
Current tax for the year	<u>851,369</u>	<u>(20,305)</u>

5 Intangible fixed assets

	Intellectual Property Rights £
Cost at 1 January 2010 and 31 December 2010	<u>100,000</u>
Amortisation	
At 1 January 2010	100,000
Amortisation charged in the year	<u>-</u>
At 31 December 2010	<u>100,000</u>
Net book value at 31 December 2010	<u>-</u>
Net book value at 31 December 2009	<u>-</u>

6 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2010	2,396,127	1,929,866	14,627	4,340,620
Additions	-	367,687	-	367,687
Disposals	-	(10,954)	-	(10,954)
At 31 December 2010	<u>2,396,127</u>	<u>2,286,599</u>	<u>14,627</u>	<u>4,697,353</u>
Depreciation				
At 1 January 2010	491,455	1,759,847	14,627	2,265,929
Provided in the year	36,309	96,585	-	132,894
Disposals	-	(8,560)	-	(8,560)
At 31 December 2010	<u>527,764</u>	<u>1,847,872</u>	<u>14,627</u>	<u>2,390,263</u>
Net book value at 31 December 2010	<u>1,868,363</u>	<u>438,727</u>	<u>-</u>	<u>2,307,090</u>
Net book value at 31 December 2009	<u>1,904,672</u>	<u>170,019</u>	<u>-</u>	<u>2,074,691</u>

The gross amount of land and buildings on which depreciation is being provided is £1,811,846 (2009 - £1,811,846)

7 Stocks

	2010 £	2009 £
Raw materials and consumable stores	5,845,470	3,863,958
Work in progress	378,762	446,440
	<u>6,224,232</u>	<u>4,310,398</u>

8 Debtors

	2010 £	2009 £
Trade debtors	7,323,436	3,527,497
Amounts owed by group undertakings	852,135	569,217
Prepayments and accrued income	886,842	278,104
Corporation tax	-	20,305
	<u>9,062,413</u>	<u>4,395,123</u>

Included in prepayments is £1,037 (2009 - £1,037) held by landlords on a rent deposit. This is due after more than one year.

9 Creditors: amounts falling due within one year

	2010	2009
	£	£
Bank loans and overdrafts	4,130,000	3,159,600
Payments received on account	191,664	5,801
Trade creditors	810,199	378,316
Amounts owed to group companies	6,234,057	3,448,806
Social security and other taxes	131,736	354,127
Corporation tax	621,369	-
Other creditors and accruals	2,227,822	1,147,754
	<u>14,346,847</u>	<u>8,494,404</u>

Bank loans are secured by guarantees from the ultimate parent company

10 Deferred taxation

Deferred taxation has been recognised in the financial statements as set out below

	2010	2009
	£	£
Accelerated capital allowances	<u>31,800</u>	<u>24,331</u>
		£
Provision at 1 January 2010		24,331
Deferred tax charge in profit and loss account (note 4)		<u>7,469</u>
Provision at 31 December 2010		<u>31,800</u>

11 Share capital

	2010 and 2009
	£
Authorised	
1,500,000 ordinary shares of £1 each	<u>1,500,000</u>
Allotted, called up and fully paid	
1,100,000 ordinary shares of £1 each	<u>1,100,000</u>

12 Reserves

	£
At 1 January 2010	1,668,914
Profit for the year	<u>2,154,193</u>
At 31 December 2010	<u><u>3,823,107</u></u>

13 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit/(loss) for the year and net movement in shareholder's funds	<u>2,154,193</u>	<u>(41,173)</u>
Shareholders' funds at 1 January 2010	<u>2,154,193</u> <u>2,768,914</u>	<u>(41,173)</u> <u>2,810,087</u>
Shareholders' funds at 31 December 2010	<u><u>4,923,107</u></u>	<u><u>2,768,914</u></u>

14 Capital commitments

There were no capital commitments at 31 December 2010 or 31 December 2009

15 Contingent liabilities

As at 31 December 2010 the company had bank guarantees totalling £50,000 in respect of an HMRC import duty deferment facility (2009 - bank guarantees of £50,000)

16 Retirement benefits

Defined Contribution Pension Scheme

The company operates a group personal pension scheme for the benefit of all employees

17 Leasing commitments

Operating lease payments amounting to £104,914 (2009 - £108,993) are due within one year. The leases to which these amounts relate expire as follows

	2010 Other £	2009 Other £
In one year or less	10,002	15,007
Between one and five years	<u>94,912</u>	<u>93,986</u>
	<u><u>104,914</u></u>	<u><u>108,993</u></u>

18 Transactions with related parties

As a wholly-owned subsidiary of Horiba Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Horiba Limited

19 Controlling related party

The parent undertaking of this company is Horiba Europe GmbH, which is incorporated in Germany, by virtue of its ownership of 100% of the issued share capital of the company. The ultimate controlling related party of this company is Horiba Limited, incorporated in Japan. Consolidated financial statements incorporating the results of Horiba Instruments Limited are prepared by the ultimate parent undertaking and are available from HORIBA, Ltd, 2 Miyano Higashi-cho, Kisshoin, Minami-ku, Kyoto 601-8510, Japan and from the website, www.horiba.com