

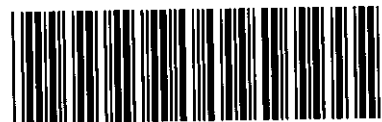
**Keyence (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 2818080**

**28 February 2006**

**TUESDAY**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2006.

### Principal activities

The main activity of the company is the sale of electronic sensors and measuring instruments manufactured by its parent company in Japan.

### Review of business

The results of the company for the year ended 28 February 2006 are detailed on page 5.

The profit before tax was £438,246 compared to a profit before tax of £670,310 in the previous year.

### Proposed dividend

The directors do not recommend the payment of a dividend (2005: *£nil*).

### Directors and directors' interests

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

T Fujita  
L Cook  
M Sasaki

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

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



Mr T Yoshikawa  
Secretary

Avebury House  
219-225 Avebury Boulevard  
Milton Keynes  
MK9 1AU

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

*The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.*

*Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.*

*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; and*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

*The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE  
United Kingdom

## **Independent auditors' report to the members of Keyence (UK) Limited**

We have audited the financial statements of Keyence (UK) Limited for the year ended 28 February 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

*As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).*

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Keyence (UK) Limited**  
*(continued)*

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

✓ P54 LLP

28/11/06

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

**Profit and loss account**  
*for the year ended 28 February 2006*

	Note	2006	2005
		£	£
<b>Turnover</b>	2	<b>6,063,576</b>	6,680,035
Cost of sales		<b>(3,350,090)</b>	(3,727,234)
<b>Gross profit</b>		<b>2,713,486</b>	2,952,801
Distribution costs		<b>(1,285,736)</b>	(1,263,638)
Administrative expenses		<b>(1,171,330)</b>	(1,174,605)
		<b>(2,457,066)</b>	(2,438,243)
<b>Operating profit</b>	5	<b>256,420</b>	514,558
Interest receivable and similar income		<b>181,826</b>	155,752
<b>Profit on ordinary activities before taxation</b>		<b>438,246</b>	670,310
Tax on profit on ordinary activities	6	<b>(145,982)</b>	(210,312)
<b>Profit on ordinary activities after taxation</b>		<b>292,264</b>	459,998
Profit and loss account brought forward		<b>4,228,842</b>	3,768,844
<b>Profit and loss account carried forward</b>		<b>4,521,106</b>	4,228,842

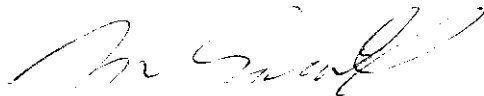
All results relate to continuing activities.

The company has no recognised gains or losses in the year other than the profit on ordinary activities as set out above.

**Balance sheet**  
*at 28 February 2006*

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	7	14,947	33,261
<b>Current assets</b>			
Stocks	8	289,998	384,454
Debtors	9	1,309,704	1,404,798
Cash at bank and in hand		4,150,047	4,107,503
		<u>5,749,749</u>	<u>5,896,755</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(943,591)</u>	<u>(1,401,174)</u>
<b>Net current assets</b>		<u>4,806,158</u>	<u>4,495,581</u>
<b>Net assets</b>		<u>4,821,106</u>	<u>4,528,842</u>
<b>Capital and reserves</b>			
Called up share capital	11	300,000	300,000
Profit and loss account		4,521,106	4,228,842
<b>Equity shareholders' funds</b>	12	<u>4,821,106</u>	<u>4,528,842</u>

These financial statements were approved by the board of directors on 16/Nov/2006 and were signed on its behalf by:



**Mr M Sasaki**  
Director



## 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.

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

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost of assets in equal instalments over the estimated lives of the assets. The estimated lives are as follows:

Demonstration equipment	2 years
Furniture and office equipment	3-5 years
Fixtures and fittings	5 years

#### *Stocks*

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

#### *Taxation*

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.

#### *Leases*

Operating lease rentals are charged to income in equal annual amounts over the lease term.

#### *Pension costs*

The company operates a group personal pension scheme. Contributions to the scheme are charged to the profit and loss account when payable.

#### *Related parties*

The company has taken advantage of exemption in FRS 8 relating to disclosure of transactions with group companies.

#### *Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at this date.

These transactions differences are dealt with in the profit and loss account.

## Notes (continued)

### 2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. Turnover is derived from the United Kingdom and Ireland.

### 3 Remuneration of directors

	2006 £	2005 £
Directors emoluments	105,146	118,613
Company contributions to pension scheme	8,630	8,450
	<u>113,776</u>	<u>127,063</u>

One director is a member of the group personal pension scheme operated by the company (2005: one).

### 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 2006	2005
Sales	21	21
Administration, technical support and marketing	11	11
	<u>32</u>	<u>32</u>

The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	1,251,103	1,197,094
Social security costs	133,038	108,203
Other pension costs	63,339	54,894
	<u>1,447,480</u>	<u>1,360,191</u>

### 5 Operating profit

*Operating profit is stated after charging:*

	2006 £	2005 £
Depreciation	29,985	31,006
Hire of other assets – operating leases	119,231	118,589
Hire of plant and machinery – operating leases	128,089	121,822
Auditors remuneration:		
- audit fees	8,500	8,300
- fees paid to the auditors and their associates in respect of other services	4,966	6,776
	<u></u>	<u></u>

## Notes (continued)

### 6 Taxation

#### Analysis of charge in period

	2006 £	£	2005 £	£
<i>UK corporation tax</i>				
Current tax on income for the period	141,683		207,409	
Adjustments in respect of prior periods	376		2,317	
	<hr/>		<hr/>	
Total current tax		142,059		209,726
<i>Deferred tax (see note 9)</i>				
Origination and reversal of timing differences in the year	2,878		586	
Origination and reversal of timing differences previously unrecognised	1,046		-	
	<hr/>		<hr/>	
		3,923		586
		<hr/>		<hr/>
Tax on profit on ordinary activities		145,982		210,312
		<hr/>		<hr/>

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

The current tax charge for the period is higher (2005: higher) than the standard rate of corporation tax in the UK (30%, 2005: 30%). The differences are explained below.

	2006 £	2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	438,246	670,310
	<hr/>	<hr/>
Current tax at 30% (2005: 30 %)	131,474	201,093
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13,087	6,902
Capital allowances for period in excess of depreciation	(2,878)	(586)
Adjustments to tax charge in respect of previous periods	376	2,317
	<hr/>	<hr/>
Total current tax charge (see above)	142,059	209,726
	<hr/>	<hr/>

## Notes (continued)

### 7 Tangible fixed assets

	Demonstration equipment	Furniture and office equipment	Fixtures and fittings and assets	Total
	£	£	£	£
<b>Cost</b>				
At beginning of year	235,749	208,432	79,318	523,499
Additions	7,320	4,352	-	11,672
At end of year	243,069	212,754	79,318	535,171
<b>Accumulated depreciation</b>				
At beginning of year	221,714	203,871	64,653	490,238
Charge for the year	14,751	3,755	11,479	29,985
At end of year	236,465	207,626	76,132	520,223
<b>Net book value</b>				
At 28 February 2006	6,603	5,157	3,186	14,947
At 29 February 2005	14,035	4,561	14,665	33,261

### 8 Stocks

	2006 £	2005 £
Goods for resale	289,998	384,454

### 9 Debtors

	2006 £	2005 £
Trade debtors	1,148,345	1,240,707
Other debtors	6,827	7,651
Prepayments and accrued income	12,422	67,608
Amounts owed from group undertakings	65,773	58,502
Deferred tax asset	26,407	30,330
	1,309,704	1,404,798

The elements of deferred taxation are as follows:

	2006 £	2005 £
Difference between accumulated depreciation and amortisation and capital allowances	26,407	30,330

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	120,321	126,111
Amounts owed to group undertakings	570,736	1,032,769
Taxation and social security	197,224	188,452
Accruals and deferred income	55,591	53,842
	<u>943,591</u>	<u>1,401,174</u>

### 11 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
<i>Allotted, called up and fully paid</i>		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

### 12 Shareholders' funds

	2006 £	2005 £
Profit for the financial year	292,264	459,998
Opening shareholders' funds	<u>4,528,842</u>	<u>4,068,844</u>
Closing shareholders' funds	<u>4,821,106</u>	<u>4,528,842</u>

### 13 Commitments

	2006 Land and buildings £	Other £	2005 Land and buildings £	Other £
Operating leases which expire:				
Within one year	18,435	17,814	4,676	28,254
In the second to fifth years inclusive	<u>73,524</u>	<u>119,016</u>	<u>89,274</u>	<u>106,018</u>
	<u>91,959</u>	<u>136,830</u>	<u>93,950</u>	<u>134,272</u>

### 14 Pension scheme

The company operates a group personal pension scheme. The assets of the scheme are held separately from those of the company. The pension cost charged to the profit and loss account represents contributions payable by the company to the scheme and amounted to £63,339 (2005: £54,894).

**Notes** *(continued)*

**15 Commitments**

The company has issued a bank guarantee of £180,000 (2005: £180,000) in favour of HM Customs and Excise.

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

In the opinion of the directors, the company's ultimate parent company and controlling entity is Keyence Corporation, a company incorporated in Japan, and is the parent undertaking of both the largest and smallest groups which includes the company and for which group accounts are prepared. A copy of the group accounts is available from:

1-3-14 Higashi-Nakajima  
Higashi-Yodogara-Ku  
Osaka 533-85555  
Japan