

**Keyence (UK) Limited**

**Directors' report and financial  
statements**

Registered number 2818080

29 February 2008



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 2008.

### 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 automobile industry has continued to have a positive impact on the financial performance of the company as well as the new technology sector such as the solar panel industry, while the UK economy as a whole has shown a clear slow down and it seems uncertain when it will come back.

### KPI's

The profit before tax was £628,644 compared to a profit before tax of £911,851 in the previous year. Turnover for the year ended 28 February 2008 was £6,798,081 compared to £6,951,629 for the prior year.

### Risk and Uncertainties

Uncertainties in the UK economy would be the biggest issue for the company. No other particular risks and uncertainties are foreseen.

### Proposed dividend

The directors do not recommend the payment of a dividend (2007: *£nil*).

### Directors and directors' interests

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

M Sasaki (Chairman)  
S Mori (appointed 31 March 2007)  
T Fujita (resigned 31 March 2007)  
L Cook (resigned 14 May 2007)

### Disclosure of information to auditors

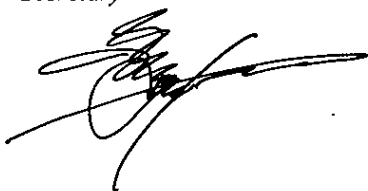
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### 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 and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Altius House  
1 North Fourth Street  
Central Milton Keynes  
MK9 1NE

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

We have audited the financial statements of Keyence UK Limited for the year ended 29 February 2008 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 29 February 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

22/12/08

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

**Profit and loss account**  
*for the year ended 29 February 2008*

	Note	2008	2007
		£	£
Turnover	2	6,798,081	6,951,629
Cost of sales		(3,804,705)	(3,779,063)
<b>Gross profit</b>		<b>2,993,376</b>	<b>3,172,566</b>
Distribution costs		(1,384,012)	(1,294,053)
Administrative expenses		(1,269,319)	(1,161,304)
		<b>(2,653,331)</b>	<b>(2,455,357)</b>
<b>Operating profit</b>	3-5	<b>340,045</b>	<b>717,209</b>
Interest receivable and similar income	6	288,600	194,642
<b>Profit on ordinary activities before taxation</b>		<b>628,645</b>	<b>911,851</b>
Tax on profit on ordinary activities	7	(198,610)	(280,265)
<b>Profit on ordinary activities after taxation</b>		<b>430,035</b>	<b>631,586</b>
Profit and loss account brought forward		5,152,692	4,521,106
<b>Profit and loss account carried forward</b>		<b>5,582,727</b>	<b>5,152,692</b>


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 29 February 2008*

	<i>Note</i>	2008	2007
		£	£
<b>Fixed assets</b>			
Tangible assets	8	27,627	24,475
Investments	9	55,600	55,600
<b>Current assets</b>			
Stocks	10	308,108	306,097
Debtors	11	1,569,555	1,392,747
Cash at bank and in hand		5,162,506	4,932,151
		<u>7,040,169</u>	<u>6,630,995</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,240,669)</u>	<u>(1,258,378)</u>
<b>Net current assets</b>		<u>5,799,500</u>	<u>5,372,617</u>
<b>Net assets</b>		<u>5,882,727</u>	<u>5,452,692</u>
<b>Capital and reserves</b>			
Called up share capital	13	300,000	300,000
Profit and loss account		5,582,727	5,152,692
<b>Equity shareholders' funds</b>	14	<u>5,882,727</u>	<u>5,452,692</u>

These financial statements were approved by the board of directors on 28/Nov./2008 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.

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

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

### 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 Operating profit

<i>Operating profit is stated after charging:</i>	2008 £	2007 £
Depreciation	16,875	14,243
Hire of other assets – operating leases	92,028	97,390
Hire of plant and machinery – operating leases	127,583	137,785
Auditors remuneration:		
- audit of these financial statements	9,600	9,300
- preparation of corporation tax computations	3,300	3,200
	<u>          </u>	<u>          </u>

### 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 2008	2007
Sales	21	21
Administration, technical support and marketing	10	9
	<u>          </u>	<u>          </u>
	31	30
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	1,403,587	1,296,592
Social security costs	148,612	136,567
Other pension costs	65,800	66,472
	<u>          </u>	<u>          </u>
	1,617,999	1,499,631
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Remuneration of directors

	2008 £	2007 £
Directors emoluments	15,788	94,777
Company contributions to pension scheme	1,438	8,630
Compensation on loss of office	76,130	-
	<u>93,356</u>	<u>103,407</u>

The only director who had emolument with the company resigned during the year.

The remuneration of the directors are borne by parent company.

No directors are members of the group personal pension scheme operated by the company (2007: one).

### 6 Other interest receivable and similar income

	2008 £000	2007 £000
Bank interest	277,435	197,954
Net exchange gains	11,170	(3,535)
Other	(5)	223
	<u>288,600</u>	<u>194,642</u>

### 7 Taxation

#### Analysis of charge in period

	2008 £	2007 £
<i>UK corporation tax</i>		
Current tax on income for the period	192,997	279,092
Adjustments in respect of prior periods	-	(1,482)
	<u>192,997</u>	<u>277,610</u>
<i>Deferred tax (see below)</i>		
Origination and reversal of timing differences in the year	5,844	2,655
Origination and reversal of timing differences previously unrecognised	(231)	-
	<u>5,613</u>	<u>2,655</u>
	<u>198,610</u>	<u>280,265</u>
Tax on profit on ordinary activities		

## Notes (continued)

### 7 Taxation (continued)

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

The current tax charge for the period is higher (2007: higher) than the standard rate of corporation tax in the UK (30%, 2007: 30%). The differences are explained below.

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	628,645	911,851
	<hr/>	<hr/>
Current tax at 30% (2007: 30 %)	188,594	273,555
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8,951	8,192
Capital allowances for period in excess of depreciation	(2,462)	(4,565)
Impact of rate change on current year deferred tax (credit)/charge	(303)	-
Other short term timing differences	(1,783)	1,910
Adjustments to tax charge in respect of previous periods	-	(1,482)
	<hr/>	<hr/>
Total current tax charge (see above)	192,997	277,610
	<hr/>	<hr/>

#### **Deferred Tax**

	2008 £
At beginning of period	23,752
Charge for the period	(5,613)
	<hr/>
<b>Deferred tax at end of period</b>	<b>18,139</b>
	<hr/>

The elements of deferred tax are as follows:

	Year ended 29 February 2008 £	Year ended 28 February 2007 £
<i>Deferred tax</i>		
Arising on difference between accumulated depreciation and capital allowances	18,139	21,842
Other short term timing differences	-	1,910
	<hr/>	<hr/>
<b>Net deferred tax asset</b>	<b>18,139</b>	<b>23,752</b>
	<hr/>	<hr/>

**Notes (continued)**

**8 Tangible fixed assets**

	Demonstration equipment £	Furniture and office equipment £	Fixtures and fittings £	Total £
<i>Cost</i>				
At beginning of year	244,041	234,442	80,458	558,941
Additions	6,755	13,272	-	20,027
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	250,796	247,714	80,458	578,968
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At beginning of year	242,705	213,354	78,407	534,466
Charge for the year	2,623	13,577	675	16,875
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	245,328	226,931	79,082	551,341
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 29 February 2008	5,468	20,783	1,376	27,627
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2007	1,336	21,088	2,051	24,475
	<hr/>	<hr/>	<hr/>	<hr/>

**9 Fixed asset investments**

	Shares in group undertakings £
<i>Cost and net book value</i>	
At the beginning and end of the year	55,600
	<hr/>

**10 Stocks**

	2008 £	2007 £
Goods for resale	308,108	306,097
	<hr/>	<hr/>

**Notes (continued)**

**11 Debtors**

	2008 £	2007 £
Trade debtors	1,474,147	1,304,005
Other Debtors	3,122	3,135
Prepayments and Accrued Income	74,147	61,855
Deferred tax asset	18,139	23,752
	<u>1,569,555</u>	<u>1,392,747</u>

**12 Creditors: amounts falling due within one year**

	2008 £	2007 £
Trade creditors	140,264	128,001
Amounts owed to group undertakings	825,029	797,993
Taxation and social security	107,511	120,313
Accruals and deferred income	42,274	47,582
Corporation Tax	125,590	164,489
	<u>1,240,669</u>	<u>1,258,378</u>

**13 Called up share capital**

	2008 £	2007 £
<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>

**14 Shareholders' funds**

	2008 £	2007 £
Profit for the financial year	430,035	631,586
Opening shareholders' funds	<u>5,452,692</u>	<u>4,821,106</u>
Closing shareholders' funds	<u>5,882,727</u>	<u>5,452,692</u>

**Notes (continued)**

**15 Commitments**

	2008		2007	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year.	-	12,713	-	24,125
In the second to fifth years inclusive	73,524	111,239	73,524	89,803
Over five years	18,504	-	18,500	-
	<u>92,028</u>	<u>123,952</u>	<u>92,024</u>	<u>113,928</u>

**16 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 £65,800 (2007: £66,472).

**16 Commitments**

The company has issued a bank guarantee of £24,000 (2007: £24,000) in favour of HM Customs and Excise.

**17 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