

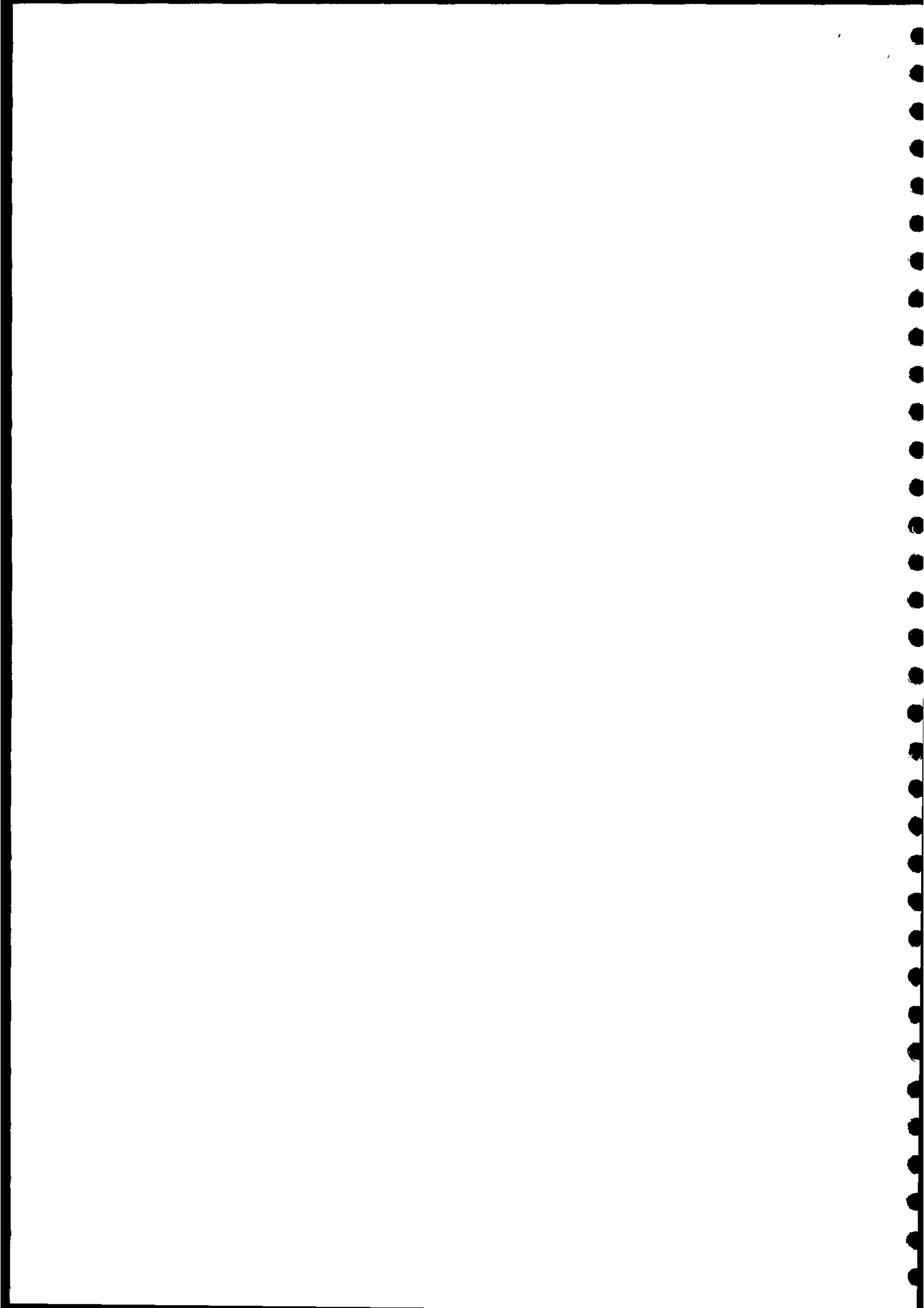
Keyence (UK) Limited

**Directors' report and financial
statements**

Registered number 2818080

28 February 2003





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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2003.

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 2003 are detailed on page 4.

The profit before tax was £315,070 compared to a profit before tax of £325,241 for last year.

Proposed dividend

The directors do not recommend the payment of a dividend (2002: £Nil).

Directors and directors' interests

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

T Takizaki	-	resigned 1 April 2003
T Fujita		
L Cook		
M Sasaki	-	appointed 1 April 2003
T Yoshikawa	-	appointed 1 April 2003

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

Deloitte and Touche resigned as auditors on 20 February 2003 and KPMG LLP were appointed in their place.

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



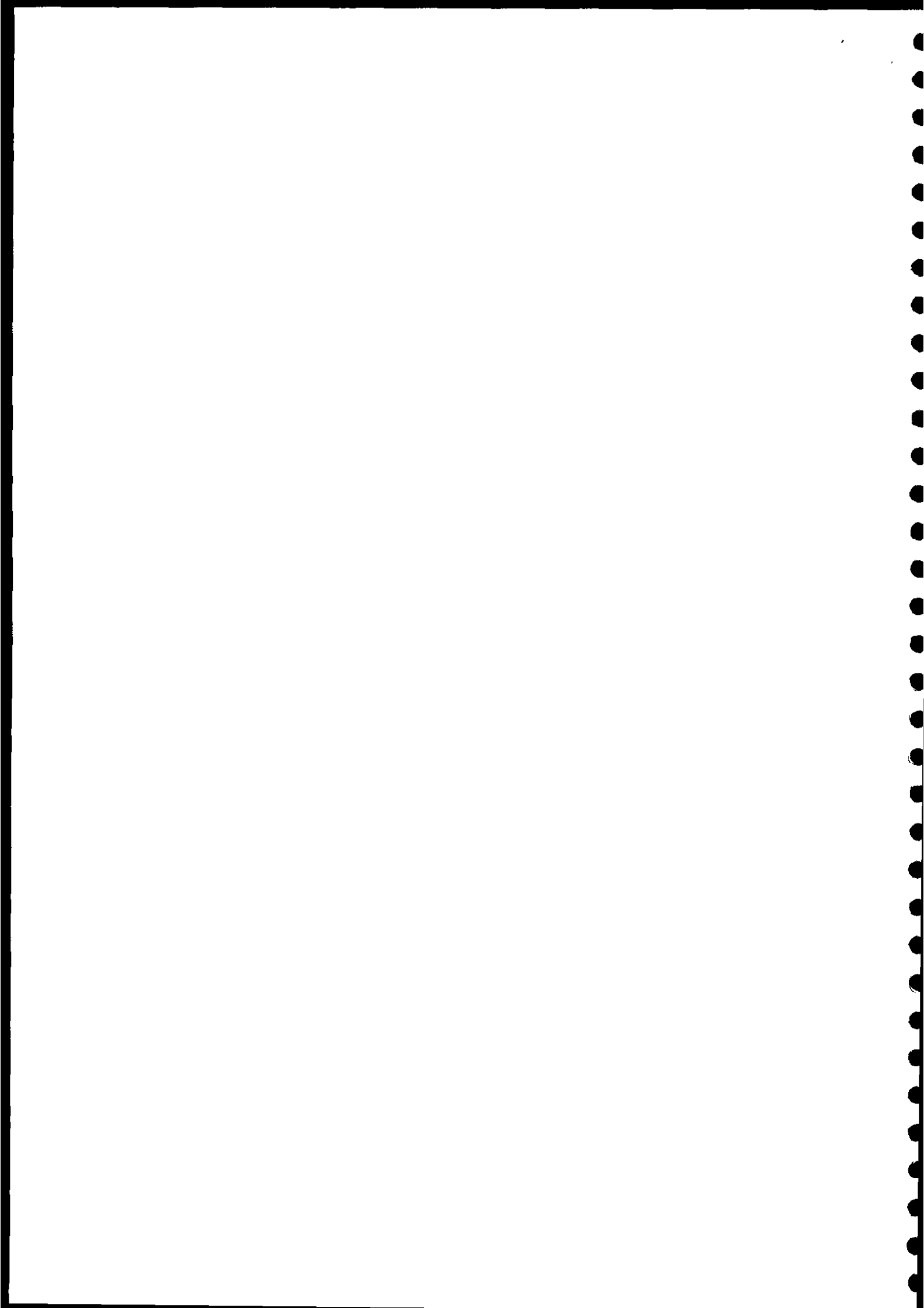
Avebury House
219-225 Avebury Boulevard
Milton Keynes
MK9 1AU

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





KPMG LLP

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 on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

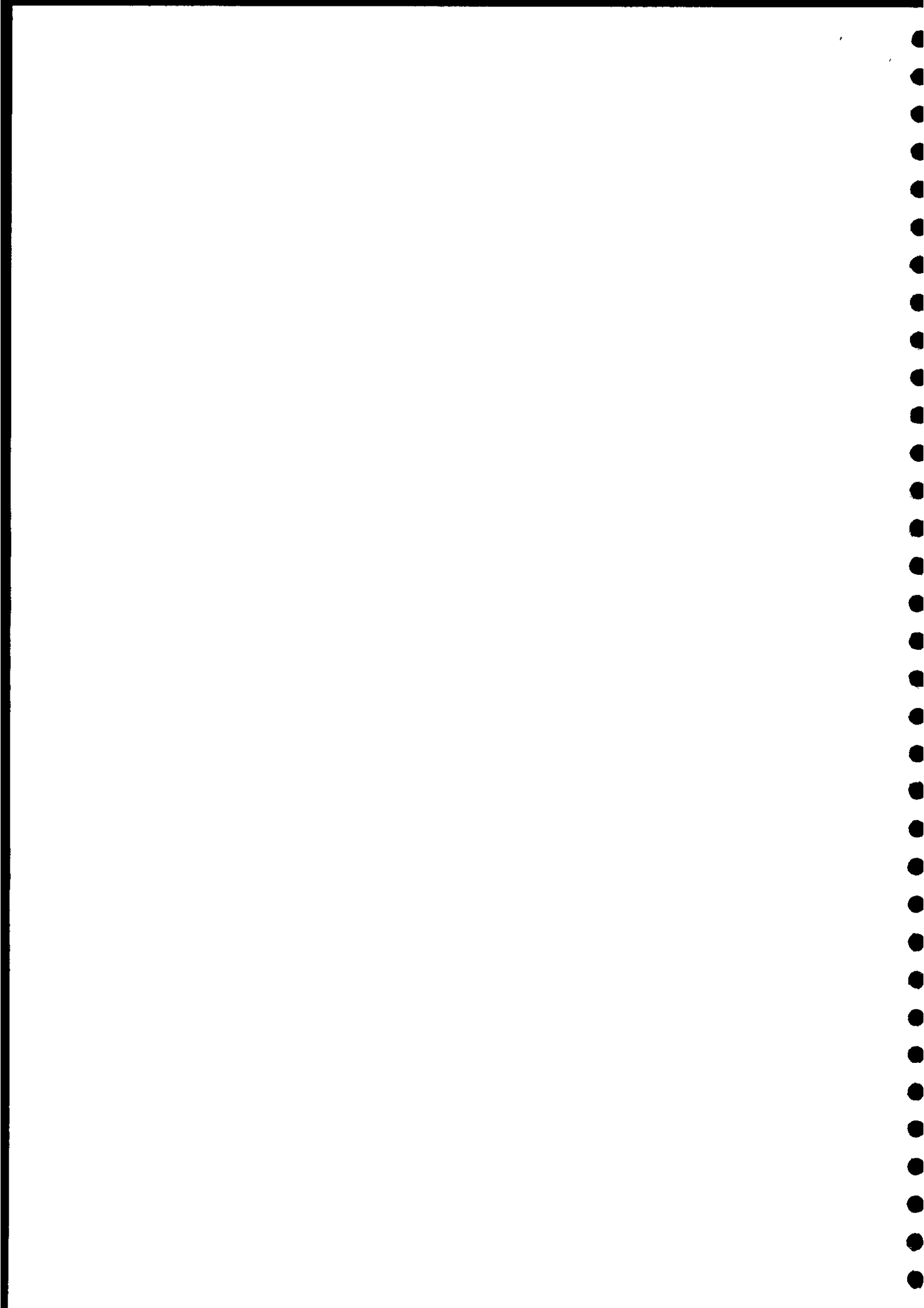
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

*Chartered Accountants
Registered Auditor*

8 July 2003

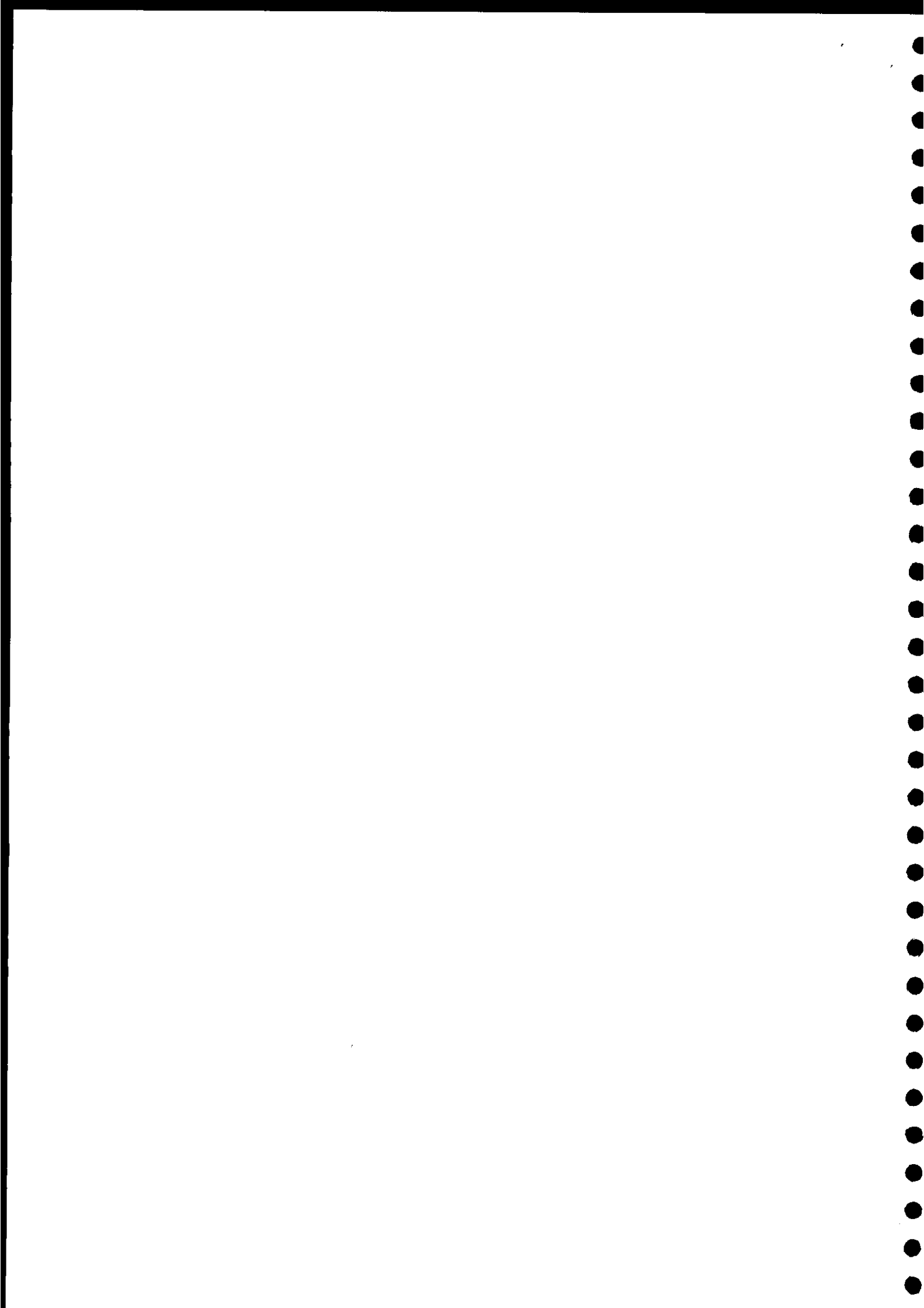


Profit and loss account
for the year ended 28 February 2003

	<i>Note</i>	2003	2002
		£	£
Turnover	2	6,415,468	6,531,321
Cost of sales		(3,587,524)	(3,623,776)
Gross profit		2,827,944	2,907,545
Distribution costs		(1,358,089)	(1,397,391)
Administrative expenses		(1,253,964)	(1,315,151)
		(2,612,053)	(2,712,542)
Operating profit	5	215,891	195,003
Interest receivable and similar income		99,179	130,238
Profit on ordinary activities before taxation		315,070	325,241
Tax on profit on ordinary activities	6	(78,796)	(111,715)
Profit on ordinary activities after taxation		236,274	213,526
Profit and loss account brought forward		3,342,196	3,128,670
Profit and loss account carried forward		3,578,470	3,342,196

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 2003

	Note	£	2003 £	2002 £
Fixed assets				
Tangible assets	7		81,654	139,850
Current assets				
Stocks	8	309,697		419,214
Debtors	9	1,435,928		1,348,594
Cash at bank and in hand		3,028,069		2,561,653
			<u>4,773,694</u>	<u>4,329,461</u>
Creditors: amounts falling due within one year	10	(976,878)		(827,115)
Net current assets			<u>3,796,816</u>	<u>3,502,346</u>
Net assets			<u>3,878,470</u>	<u>3,642,196</u>
Capital and reserves				
Called up share capital	11		300,000	300,000
Profit and loss account			3,578,470	3,342,196
Equity shareholders' funds	12		<u>3,878,470</u>	<u>3,642,196</u>

These financial statements were approved by the board of directors on 5/6/03 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. The company has adopted FRS19 'Deferred tax' in these 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

	2003 £	2002 £
Directors emoluments	110,027	108,684
Company contributions to pension scheme	8,185	8,000
	<u>118,212</u>	<u>116,684</u>

One director is a member of the group personal pension scheme operated by the company (2002 : 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	
	2003	2002
Sales	22	25
Administration, technical support and marketing	10	11
	<u>32</u>	<u>36</u>

The aggregate payroll costs of these persons were as follows:

	2003 £	2002 £
Wages and salaries	1,180,987	1,223,378
Social security costs	114,738	119,847
Other pension costs	56,081	52,854
	<u>1,351,806</u>	<u>1,396,079</u>

Notes (continued)

5 Operating profit

<i>Operating profit is stated after charging:</i>	2003 £	2002 £
Depreciation	65,831	69,492
Hire of other assets – operating leases	232,630	205,931
Auditors remuneration:		
- audit fees	8,000	9,000
- fees paid to the auditors and their associates in respect of other services	3,000	13,950
	<u> </u>	<u> </u>

6 Taxation

Analysis of charge in period

	2003 £	£	2002 £	£
<i>UK corporation tax</i>				
Current tax on income for the period	107,054		114,170	
Adjustments in respect of prior periods	(74)		(2,455)	
	<u> </u>		<u> </u>	
Total current tax		106,980		111,715
Deferred tax (see note 9)				
Origination and reversal of timing differences in the year	(6,309)		-	
Origination and reversal of timing differences previously unrecognised	(21,167)		-	
Adjustment in respect of previous year	(708)		-	
	<u> </u>		<u> </u>	
		(28,184)		-
		<u> </u>		<u> </u>
Tax on profit on ordinary activities		78,796		111,715
		<u> </u>		<u> </u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	315,070	325,241
	<hr/>	<hr/>
Current tax at 30 % (2002 : 30 %)	94,521	97,572
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6,932	14,606
Capital allowances for period in excess of depreciation	6,309	(277)
Adjustments to tax charge in respect of previous periods	(782)	(186)
	<hr/>	<hr/>
Total current tax charge (see above)	106,980	111,715
	<hr/>	<hr/>

Factors that may affect future tax charges

At 28 February 2002, cumulative capital allowances exceeded cumulative depreciation in respect of certain classes of asset which amounted to a potential deferred tax asset of £21,167, which was not recognised at 28 February 2002.

Based on current capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years.

Notes (continued)

7 Tangible fixed assets

	Demonstration equipment	Furniture and office equipment	Fixtures and fittings and assets	Total
	£	£	£	£
Cost				
At beginning of year	210,455	198,778	76,713	485,946
Additions	-	7,644	1,100	8,744
Disposals	-	(2,851)	-	(2,851)
At end of year	210,455	203,571	77,813	491,839
Accumulated depreciation				
At beginning of year	192,880	123,044	30,172	346,096
Charge for the year	14,220	40,249	11,362	65,831
Eliminated on disposal	-	(1,742)	-	(1,742)
At end of year	207,100	161,551	41,534	410,185
Net book value				
At 28 February 2003	3,355	42,020	36,279	81,654
At 28 February 2002	17,575	75,734	46,541	139,850

8 Stocks

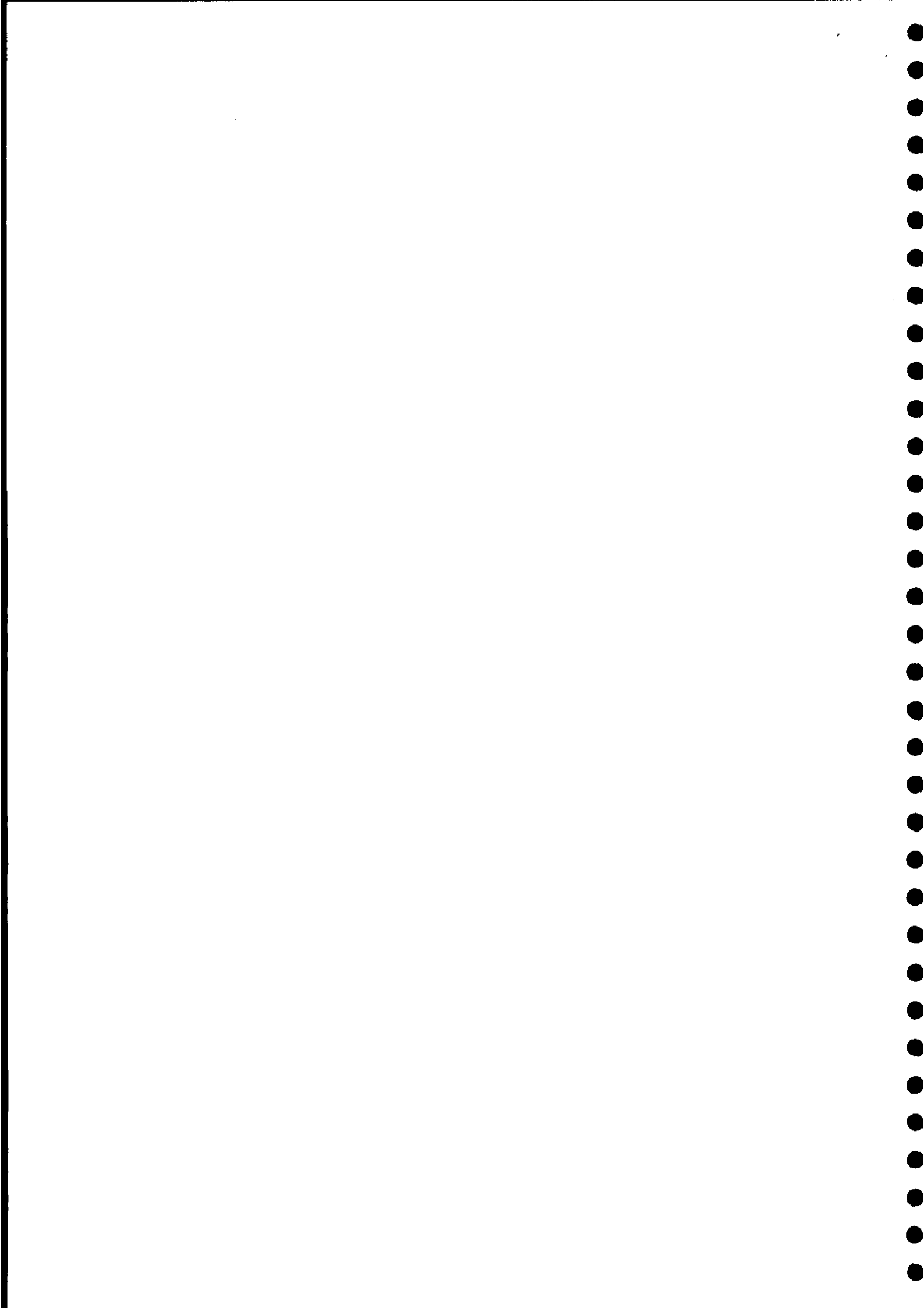
	2003 £	2002 £
Goods for resale	309,697	419,214

9 Debtors

	2003 £	2002 £
Trade debtors	1,283,355	1,243,069
Other debtors	8,700	14,983
Prepayments and accrued income	115,689	90,542
Deferred tax asset	28,184	-
	1,435,928	1,348,594

The elements of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and amortisation and capital allowances	28,184	-



Notes (continued)

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	169,406	152,646
Amounts owed to group undertakings	640,357	527,750
Taxation and social security	149,238	133,657
Accruals and deferred income	17,877	13,062
	<u>976,878</u>	<u>827,115</u>

11 Called up share capital

	2003 £	2002 £
<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

	2003 £	2002 £
Profit for the financial year	236,274	213,526
Opening shareholders' funds	<u>3,642,196</u>	<u>3,428,670</u>
Closing shareholders' funds	<u>3,878,470</u>	<u>3,642,196</u>

13 Commitments

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	44,942	-	23,281
In the second to fifth years inclusive	<u>73,524</u>	<u>75,428</u>	<u>-</u>	<u>131,434</u>
	<u>73,524</u>	<u>120,370</u>	<u>-</u>	<u>154,715</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 £56,081 (2002: £52,854).

Notes *(continued)*

15 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

