

Registration number 03672105

LK Group Limited

Director's Report and Financial Statements
for the Year Ended 31 December 2009



LK Group Limited

Company Information

Director Mr K Yoshikawa (appointed 1 January 2010)

Secretary Mr L de Jonge

Registered office Argosy Road
Nottingham East Midlands Airport
Castle Donington
Derby
DE74 2SA

Solicitors Molesworth Bright Clegg
Octagon House
25-27 Yorkshire Street
Rochdale
OL16 1RH

Auditors Deloitte LLP
1 Woodborough Road
Nottingham
NG1 3FG

LK Group Limited

Director's Report for the Year Ended 31 December 2009

The director presents his report and the audited financial statements for the year ended 31 December 2009

Results and dividend

The results for the company are set out in the financial statements

The director does not recommend the payment of a dividend

Principal activity

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

Business review

Review of the business

With effect from 16th October 2009, the company's ultimate holding company, Metris NV, became a fully owned subsidiary of the Nikon Corporation based at the Fuji Building, 3-2-3 Marunouchi, Chiyoda-ku, TKY 100-8331, Japan. The company now considers the Nikon Corporation to be its ultimate parent undertaking and controlling party.

Subsequent to the acquisition, Metris NV has changed its name to Nikon Metrology NV.

Development and performance of the business

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 £4,836,000.

Position of the business

The immediate parent company, Nikon Metrology NV, has indicated its ongoing support for the company through long term funding, however there is uncertainty as to the nature and timing of the provision of such funds as explained further in the Going Concern section below.

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

The director who held office during the year was as follows:

- Mr B Van Coppenolle (resigned 1 January 2010)

Subsequent to the year end, Mr K Yoshikawa was appointed as a director of the company on 1 January 2010.

LK Group Limited

Director's Report for the Year Ended 31 December 2009

continued

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 (formerly Metris 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.

- However, the director recognises that there is uncertainty as to the nature and timing of the provision of subsequent funding to the UK group from Nikon Metrology NV, as no conclusion has been reached with regards to the exact flow of future financing of the UK business.

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.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

LK Group Limited

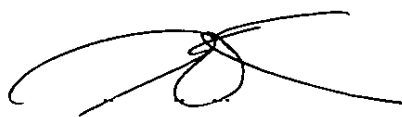
Director's Report for the Year Ended 31 December 2009

continued

Auditors

Following the acquisition of the business in October 2009 by the Nikon Corporation, Deloitte LLP were appointed as auditors of the company. Deloitte LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the Annual General Meeting.

Approved by the Board and signed on its behalf by



Mr K Yoshikawa
Director

Date

18/12/10

LK Group Limited

Director's Responsibilities Statement

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 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 then apply them consistently,
- make judgements 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper 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.

Independent Auditors' Report to the Members of

LK Group Limited

We have audited the financial statements of LK Group Limited for the year ended 31 December 2009, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 auditors

As explained more fully in the Director's Responsibilities Statement set out on page 5, 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 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.

Opinion disclaimer on view given by the financial statements

The audit evidence available to us to support the carrying values of shares in group undertakings of £100,000 and loans to group undertakings of £11,434,000, which are included within investments on the balance sheet, was limited because the director of the company has not been able to perform an impairment review or record any identified impairment and accordingly not provided us with evidence to support their carrying values. United Kingdom Accounting Standards require investments and loans to be reviewed for impairment if events or changes in circumstances exist indicating that the carrying value may not be recoverable. The group's subsidiaries, to which those investments and loans relate, have been trading with significant losses and have net liabilities at the balance sheet date which indicate the circumstances exist for potential impairment. As a consequence of the current circumstances of the group, as explained further in note 1 to the financial statements, the director has been unable to conclude on the carrying values of these investments and loans. As a result, and in the absence of any alternative evidence available to us, we have been unable to form a view on the valuation of the investments held as fixed assets.

The evidence available to us to confirm the appropriateness of preparing the financial statements on the going concern basis was limited because the current circumstances of the group, as explained further in note 1 to the financial statements, are such that the director of the company has not been able to provide us with evidence to support his assumption regarding the provision of appropriate funding facilities from the ultimate parent company. The company incurred a loss of £19,000 during the year ended 31 December 2009 and, as of that date, the company's shareholders' deficit amounts to £4,836,000. Nevertheless, the financial statements have been prepared using the going concern assumption. This assumption is only valid to the extent that the company can further rely on the financial support of its shareholders, or is able to find alternative funding. As explained in note 1 to the financial statements, a decision has been made during 2010 by the ultimate parent company to restructure the immediate parent company's balance sheet through the provision of separate long term and short term loans. The director of the company expects, following the restructuring of the immediate parent company's balance sheet, that the balance sheets of the company and fellow group undertakings will be restructured. However, the extent and timing of how these funds will be used to provide financial support to the company and fellow group undertakings has yet to be determined. As a result, and in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the financial statements should this basis be inappropriate, are set out in note 1 to the financial statements.

Independent Auditors' Report to the Members of LK Group Limited

continued

Opinion: disclaimer on view given by the financial statements (continued)

The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Because of the possible effect of the limitations in evidence available to us, we are unable to form an opinion as to whether the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Director's 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

In respect solely of the limitation of our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records have been kept

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

- 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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)

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

Date 20 DECEMBER 2010

LK Group Limited

Profit and Loss Account for the Year Ended 31 December 2009

	Note	2009 £ 000	2008 £ 000
Turnover		-	-
Administrative expenses		-	4
Operating profit	2	<u>-</u>	<u>4</u>
Amounts written off investments		-	(4,525)
Interest payable and similar charges	5	(19)	(24)
Loss on ordinary activities before taxation		<u>(19)</u>	<u>(4,545)</u>
Tax on loss on ordinary activities	6	-	2
Loss for the financial year	10	<u><u>(19)</u></u>	<u><u>(4,543)</u></u>

Turnover and operating profit derive wholly from continuing operations

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

The notes on pages 10 to 16 form an integral part of these financial statements

LK Group Limited

Balance Sheet as at 31 December 2009

		2009	2008
	Note	£ 000	£ 000
Fixed assets			
Investments	7	11,534	11,534
Creditors Amounts falling due after more than one year	8	<u>(16,370)</u>	<u>(16,351)</u>
Net liabilities		<u>(4,836)</u>	<u>(4,817)</u>
Capital and reserves			
Called up share capital	9	12	12
Share premium reserve	10	16,888	16,888
Profit and loss reserve	10	<u>(21,736)</u>	<u>(21,717)</u>
Shareholders' deficit	11	<u>(4,836)</u>	<u>(4,817)</u>

These financial statements were approved for issue by the Director on 18/12/12



Mr K Yoshikawa
Director

LK Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

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 year.

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.

Consolidation

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.

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 (formerly Metris 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.
- However, the director recognises that there is uncertainty as to the nature and timing of the provision of subsequent funding to the UK group from Nikon Metrology NV, as no conclusion has been reached with regards to the exact flow of future financing of the UK business.

LK Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

1 Accounting policies (continued)

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 members of the group headed by the Nikon Corporation

Impairment of Assets

The Nikon Metrology group's revenue forecasts and cashflow planning have been calculated by regarding the Nikon Metrology group as a whole, rather than forecast by legal entity, and in line with impairment tolerances for group reporting. The forecasts for the group are categorised by geographical divisions or by product ranges, and not by each individual legal entity. At this time it was not possible to complete an impairment review with sufficient detail on a legal entity basis. This issue will be addressed in 2010.

Recoverability of Inter-Company Debt

In the second quarter of 2010 a programme of inter-company debt repayments had commenced. At this time and as a result of the uncertainty regards the future restructuring of the UK business, the director is unable to conclude as to the full recoverability of all intercompany debt. However the programme of repayments is continuing and is structured into the Nikon Metrology group cashflow forecast and group funding requirements.

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 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 Operating loss

The auditor's remuneration of £5,800 has been borne by Nikon Metrology UK Limited.

LK Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

3 Particulars of employees

The average number of persons employed by the company (including the director) during the year was as follows

	2009 No.	2008 No
Management	<u>1</u>	<u>1</u>

4 Director's remuneration

For 2009 and 2008 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 year.

5 Interest payable and similar charges

	2009 £ 000	2008 £ 000
Interest on loans from group undertakings	<u>19</u>	<u>24</u>

LK Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

6 Taxation

Analysis of current period tax credit

	2009 £ 000	2008 £ 000
Current tax		
Under/(over) provision in previous year	-	(2)

Factors affecting current period tax credit

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28.00% (2008 - 28.50%)

The differences are reconciled below

	2009 £ 000	2008 £ 000
Loss on ordinary activities before taxation	(19)	(4,545)
Standard rate corporation tax credit	(5)	(1,295)
Impairment of fixed asset investment	-	1,289
Expenses not deductible for tax purposes	5	6
Adjustments in respect of prior periods	-	(2)
Total current tax for the year	-	(2)

Factors which may affect future tax charges

On 22 June 2010, the UK Chancellor of the Exchequer announced a reduction in the rate of corporation tax from 28% to 27%, effective from 1 April 2011. Further reductions in the rate of corporation tax will be made at the rate of 1% a year in each of the subsequent 3 years, resulting in a 24% corporation tax rate by 1 April 2014.

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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Notes to the Financial Statements for the Year Ended 31 December 2009

continued

7 Investments held as fixed assets

	2009 £ 000	2008 £ 000
Shares in group undertakings	100	100
Loans to group undertakings	11,434	11,434
	<u>11,534</u>	<u>11,534</u>

Additional information is as follows

	Shares in group undertakings £ 000
Cost	
As at 1 January 2009 and 31 December 2009	<u>100</u>
Net book value	
As at 31 December 2009	<u>100</u>
As at 31 December 2008	<u>100</u>
	Loans to group undertakings £ 000
As at 1 January 2009	<u>11,434</u>
As at 31 December 2009	<u>11,434</u>

LK Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2009

continued

7 Investments held as fixed assets (continued)

The company holds more than 20% of the share capital of the following companies

	Country of incorporation	Class	%
Subsidiary undertakings			
Nikon Metrology UK Limited (formerly Metris UK Limited)	England and Wales	Ordinary	100
LK Metrology Systems Inc *	USA	Capital stock	100
LK France SA*	France	Ordinary	100
LK Asia Pacific Limited†	Hong Kong	Ordinary	100
Shanghai LK Metrology Limited*	China	Ordinary	100
LK Investments Limited	England and Wales	Ordinary	100

*indirect holdings

†99% of the ordinary share capital is held by LK Investments Limited. The remaining 1% is held by Nikon Metrology UK Limited.

All subsidiary companies are involved in the manufacture and supply of precision measuring equipment and measuring machines and associated services, with the exception of LK Investments Limited and LK Asia Pacific Limited, which are holding companies.

8 Creditors Amounts falling due after more than one year

	2009 £ 000	2008 £ 000
Amounts owed to group undertakings	16,370	16,351

The long term loan from the intermediate parent undertaking, Nikon Metrology NV, has no fixed repayment period but interest is accumulated at 7% per annum. The intermediate parent undertaking has indicated that they will not seek repayment of the loan in the foreseeable future.

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Notes to the Financial Statements for the Year Ended 31 December 2009

continued

9 Share capital

	2009 £ 000	2008 £ 000
Allotted, called up and fully paid		
143,750 "A" ordinary shares of 1 pence each	1	1
1,100,000 "B" ordinary shares of 1 pence each	11	11
	<u>12</u>	<u>12</u>

The different classes of share capital rank equally in all respects

10 Reserves

	Share premium reserve £ 000	Profit and loss reserve £ 000	Total £ 000
Balance at 1 January 2009	16,888	(21,717)	(4,829)
Transfer from profit and loss account for the year	-	(19)	(19)
Balance at 31 December 2009	<u>16,888</u>	<u>(21,736)</u>	<u>(4,848)</u>

11 Reconciliation of movements in shareholders' deficit

	2009 £ 000	2008 £ 000
Loss attributable to members of the company	(19)	(4,543)
Opening shareholders' deficit	<u>(4,817)</u>	<u>(274)</u>
Closing shareholders' deficit	<u>(4,836)</u>	<u>(4,817)</u>

12 Parent undertaking and controlling party

On 31 December 2009 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, TKY 100-8331, Japan.