

Hamamatsu Photonics UK Limited

**Directors' report and financial
statements**

Registered number 02228744
Year ended 30 September 2016

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Strategic report

Principal activities

The principal activity of the company during the year was the distribution of photonic systems and components.

Business review

The results for the year are disclosed in the Statement of comprehensive income on page 6, of the financial statements.

The company's turnover for the year ended 30 September 2016 was £27,606k compared to £25,566k for the previous year. Gross margin was slightly higher, 28.7% compared to 28.0%. Net operating expenses increased by 10% to £4,091k

At 30 September 2016 the outstanding order book is at good levels and the directors anticipate that the ensuing year will show further improvement in turnover. Operating income however is expected to show a reduction due increased purchase costs as result of depreciation of Sterling against Japanese Yen.

Principal risks and uncertainties

The company has identified the principal risks that it faces as:

Price risk

The company is exposed to price risk due to exchange rate fluctuations affecting the price of the goods and services it purchases from Japan, however a policy is in place to minimise the risk by the use of forward currency contracts to meet its obligations. The company also trades in Japanese Yen with some of its large customers, thereby further protecting itself from exchange rate fluctuations. The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services it purchases inside the UK.

Credit risk

The company is exposed to credit risk arising on sales, being the loss that would be recognised if the customers failed or are unable to meet their payment obligations. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is subject to a limit and for some large selected customers the company has a credit insurance policy to mitigate the risk.

Liquidity risk

The company actively maintains sufficient cash holdings to ensure the company has available funds for operations and planned expansions.

This report was approved by the board on 12 October 2016 and signed on its behalf by.



C.Singh

Company Secretary

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2016.

Directors

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

T. Stokes
P.J. Eggl
A. Tsujimura

Going concern

The directors expect the company to continue to be profitable and to generate sufficient cash to meet its obligations as they fall due and continue to do so for the next twelve months from the date of approval of these accounts.

Financial risk management

The company's operations expose it to a variety of financial risks which are explained in the accompanying Strategic report on page 1.

Dividend

Ordinary dividend of £6.20 per share was paid in the year (2015: £6.50). The directors recommend that a dividend of £6.90 per share be paid in respect of the year ended 30 September 2016.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

Auditors

The company is not obliged to re-appoint auditors annually and therefore Nexia Smith and Williamson will continue in office.

This report was approved by the board on / 2 October 2016 and signed on its behalf by.



C.Singh
Company Secretary

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are 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 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 adequate 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 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 the prevention and detection of fraud and other irregularities.

Nexia Smith & Williamson

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMAMATSU PHOTONICS UK LIMITED

We have audited the financial statements of Hamamatsu Photonics UK Limited for the year ended 30 September 2016 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 18. 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' 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 Statement of directors' responsibilities set out on page 3, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit 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

In our opinion the information given in the Strategic report and 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.

Nexia Smith & W.

Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

17 October 2016

Statement of comprehensive income
for the year ended 30 September 2016

	Note	2016 £	2015 £
Turnover	3	27,606,050	25,566,224
Cost of sales		<u>(19,677,664)</u>	<u>(18,395,682)</u>
Gross profit		7,928,386	7,170,542
Distribution costs		(2,148,841)	(1,988,430)
Administrative expenses		<u>(1,941,800)</u>	<u>(1,730,951)</u>
Operating profit		3,837,745	3,451,161
Interest receivable	7	<u>12,593</u>	<u>12,948</u>
Profit before taxation		3,850,338	3,464,109
Tax on profit for the year	8	<u>(776,773)</u>	<u>(690,910)</u>
Profit for the Financial Year		<u>3,073,565</u>	<u>2,773,199</u>
Total comprehensive income for the year		<u>3,073,565</u>	<u>2,773,199</u>

Statement of financial position
as at 30 September 2016

	Note	2016 £	2015 £
Fixed assets			
Property, plant and equipment	10a	1,514,466	1,674,039
Intangible assets	10b	<u>33,191</u>	<u>12,215</u>
		1,547,657	1,686,254
Current assets			
Stocks	11	4,325,334	2,482,243
Debtors	12	4,660,892	4,583,941
Cash at bank and in hand		<u>5,450,978</u>	<u>4,762,214</u>
		14,437,204	11,828,398
Creditors: amounts falling due within one year	13	<u>(7,253,392)</u>	<u>(5,376,748)</u>
Net current assets		7,183,812	6,451,650
Net assets		8,731,469	8,137,904
Capital and reserves			
Called up share capital	14	400,000	400,000
Retained earnings	15	<u>8,331,469</u>	<u>7,737,904</u>
		8,731,469	8,137,904

These financial statements were approved by the board of directors on 12 October 2016 and were signed on its behalf by:



T.Stokes
Director

Statement of changes in equity
for the year ended 30 September 2016

	Share Capital	Retained earnings	Total
	£	£	£
Balance at 1 October 2014	400,000	7,564,705	7,964,705
Profit for the year	-	2,773,199	2,773,199
Dividends	-	(2,600,000)	(2,600,000)
Balance at 30 September 2015	<u>400,000</u>	<u>7,737,904</u>	<u>8,137,904</u>
Profit for the year	-	3,073,565	3,073,565
Dividends	-	(2,480,000)	(2,480,000)
Balance at 30 September 2016	<u><u>400,000</u></u>	<u><u>8,331,469</u></u>	<u><u>8,731,469</u></u>

Notes to the financial statements

1 Compliance with accounting standards

Hamamatsu Photonics UK Limited is a company domiciled in England and Wales, registration number 02228744. The registered office is 2 Howard Court, 10 Tewin Road, Welwyn Garden City, Herts, AL7 1BW.

The financial statements have been prepared in accordance with FRS 102. There were no material departures from that

2 Accounting policies

These financial statements are the first annual financial statements that comply with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The date of transition is 1 October 2014.

The transition to FRS 102 has not resulted in any material changes to the accounting policies to those used previously and therefore has no impact on equity or profit or loss. No transition reliefs have been applied on the transition to FRS 102.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The presentation currency is £ sterling.

Exemptions

The company is a wholly owned subsidiary of Hamamatsu Photonics KK, and has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- the exemption from disclosing transactions or balances with entities which form part of the group.

Property, plant and equipment - depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Buildings - 4% per annum
Plant and equipment - 25-33% per annum
Fixtures and fittings - 15% per annum
Motor vehicles - 25% per annum

No depreciation is provided on freehold land.

Intangible assets and amortisation

Amortisation is calculated so as to write off the cost of an asset over the useful life of that asset as follows:

Software - 20-25% per annum

Foreign currencies

Sterling is the company's functional and presentation currency. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the year-end date and the gains or losses on translation are included in the Statement of comprehensive income.

Key source of estimation uncertainty and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. There are no material items in these financial statements where such judgements and estimates have been made.

Notes to the financial statements

2 Accounting policies (continued)

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension scheme are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Statement of financial position.

Stocks

Stocks are stated at the lower of cost and estimated selling price less cost to sell, after making due allowances for obsolete and slow moving items.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all the amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with original maturity of three months or less.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with change in fair value recognised in the Statement of comprehensive income..

Leasing

Rentals payable under operating leases are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

Taxation

The tax charge represents the sum of the tax currently payable.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from the net profit as reported in the Statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the year end date.

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 year-end. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain.

Income recognition

Income is measured at the fair value of consideration received or receivable and represents the amounts receivable net of discounts and VAT.

Income is recognised upon delivery of goods and services to customers such that risks and rewards of ownership have been transferred to them.

Notes to the financial statements

3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

Turnover is recognised on despatch of goods from the warehouse or completion of agreed services.
The analysis of turnover by activity and geographical area are as follows;

	2016 £	2015 £
<i>By activity</i>		
Sale of goods	27,127,741	25,243,238
Supply of services	478,309	322,986
	<u>27,606,050</u>	<u>25,566,224</u>
<i>By geographical area.</i>		
United Kingdom	21,318,281	19,906,475
Europe	2,330,663	2,179,205
Africa	1,073,533	959,728
Rest of the world	2,883,573	2,520,816
	<u>27,606,050</u>	<u>25,566,224</u>

4 Profit before tax

	2016 £	2015 £
<i>Profit before tax is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	26,700	23,950
Non-audit services paid to companies associated with the auditors		
Taxation services	9,950	9,050
Amortisation and depreciation:		
Owned	220,556	261,403
Rentals payable under operating leases:		
Plant and equipment	7,334	4,246
(Profit)/loss on disposal of assets	(21,251)	(26,672)
Exchange loss/(gain)	<u>350,753</u>	<u>(37,308)</u>

5 Remuneration of directors

	2016 £	2015 £
Directors' emoluments	<u>131,764</u>	<u>119,720</u>

Notes to the financial statements

6 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	
	2016	2015
Sales	31	27
Administration	15	15
	<u>46</u>	<u>42</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	1,867,066	1,747,399
Social security costs	208,390	196,398
Other pension costs (see note 17)	384,439	390,342
Other costs	79,713	88,189
	<u>2,539,608</u>	<u>2,422,328</u>

7 Interest receivable

	2016	2015
	£	£
Bank interest	9,634	8,556
Other interest	2,959	4,392
	<u>12,593</u>	<u>12,948</u>

Notes to the financial statements

8 Taxation

Analysis of charge in period.

	2016 £	2015 £
<i>UK corporation tax</i>		
On income for the period	782,798	690,637
Adjustment in respect of prior periods	<u>(6,025)</u>	<u>273</u>
Total tax charge for the period	<u><u>776,773</u></u>	<u><u>690,910</u></u>

The total tax charge for the period is higher (2015: lower) than the standard rate of corporation tax in the UK, 20% (2015: 20.5%). The differences are explained below.

	2016 £	2015 £
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	<u>3,850,338</u>	<u>3,464,109</u>
Total tax at 20% (2015: 20.5%)	770,068	710,142
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,875	1,957
Depreciation in excess of capital allowances for the period	9,855	17,929
Transfer pricing adjustment	-	(39,391)
Adjustment to tax charge in respect of previous periods	<u>(6,025)</u>	<u>273</u>
Total tax charge for the period	<u><u>776,773</u></u>	<u><u>690,910</u></u>

9 Dividends

	2016 £	2015 £
Dividends paid	<u><u>2,480,000</u></u>	<u><u>2,600,000</u></u>

Notes to the financial statements

10a Property, plant and equipment

	Land and Buildings £	Plant and Equipment £	Fixtures and Fittings £	Motor Vehicles £	Total £
Cost					
At 1 October 2015	2,229,221	755,477	423,944	378,363	3,787,005
Additions	-	38,444	7,410	16,442	62,296
Disposals	-	(148,267)	-	(36,449)	(184,716)
At 30 September 2016	<u>2,229,221</u>	<u>645,654</u>	<u>431,354</u>	<u>358,356</u>	<u>3,664,585</u>
Depreciation					
At 1 October 2015	929,455	657,375	325,439	200,697	2,112,966
Charge for year	61,452	51,881	21,867	72,970	208,170
On disposals	-	(141,941)	-	(29,076)	(171,017)
At 30 September 2016	<u>990,907</u>	<u>567,315</u>	<u>347,306</u>	<u>244,591</u>	<u>2,150,119</u>
Net book value					
At 30 September 2016	<u>1,238,314</u>	<u>78,339</u>	<u>84,048</u>	<u>113,765</u>	<u>1,514,466</u>
At 30 September 2015	<u>1,299,766</u>	<u>98,102</u>	<u>98,505</u>	<u>177,666</u>	<u>1,674,039</u>

Included in the total net book value of freehold land and buildings is depreciable freehold buildings of £545,315 (2015: £606,766). Freehold land which is not depreciated is held at £693,000 (2015: £693,000).

The directors are of the opinion that the market value of the company's freehold land and buildings exceeds the net book value.

10b Intangible fixed assets

	Software £
Cost	
At 1 October 2015	243,659
Additions	33,362
At 30 September 2016	<u>277,021</u>
Amortisation	
At 1 October 2015	231,444
Charge for year	12,386
At 30 September 2016	<u>243,830</u>
Net book value	
At 30 September 2016	<u>33,191</u>
At 30 September 2015	<u>12,215</u>

Notes to the financial statements

11 Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>4,325,334</u>	<u>2,482,243</u>

12 Debtors

	2016 £	2015 £
Trade debtors	4,401,375	4,246,487
Amounts owed by group undertakings	112,884	236,060
Other debtors	10,727	19,323
Prepayments and accrued income	<u>135,906</u>	<u>82,071</u>
	<u>4,660,892</u>	<u>4,583,941</u>

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	141,616	303,213
Amounts owed to group undertakings	5,266,828	3,495,742
Corporation tax	336,683	344,612
Taxation and social security	449,610	326,432
Accruals and deferred income	<u>1,058,655</u>	<u>906,749</u>
	<u>7,253,392</u>	<u>5,376,748</u>

14 Share capital

Allotted, called up and fully paid

	2016 £	2015 £
400,000 Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>

Notes to the financial statements

15 Reserves

	2016 £	2015 £
Retained earnings	<u>8,331,469</u>	<u>7,737,904</u>

The reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

16 Financial instruments

The company is exposed to price risk, credit risk, liquidity risk and foreign currency exchange rate risk. Details relating to these risks are disclosed in the strategic report on page 1.

The carrying values of the company's financial assets and liabilities are summarised by category below:

Financial assets measured at amortised cost

	2016 £	2015 £
Financial assets measured at amortised cost	<u>4,524,986</u>	<u>4,501,870</u>
Financial liabilities measured at amortised cost	<u>5,408,444</u>	<u>3,798,955</u>
Interest income through Statement of comprehensive income	<u>12,593</u>	<u>12,948</u>

17 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £384,439 (2015: £390,342).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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

The company is a subsidiary undertaking of Hamamatsu Photonics KK incorporated in Japan.

The largest group in which the results of the company are consolidated is that headed by Hamamatsu Photonics KK incorporated in Japan. The consolidated financial statements of this group are available to the public and may be obtained from:

Hamamatsu Photonics KK
1126-1, Ichino-Cho
Hamamatsu City
Japan

No other group accounts include the results of the company.