Casio Electronics Co. Limited

Directors' report and financial statements

Registered number 01203633

31 March 2013

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31st March 2013

Principal activity

The principal activity of the Company continues to be the import, sale and distribution of products from its parent company

Business Review

The directors are pleased to report an increase in turnover of 7 7% to £53 6 million and an increase in profit before tax of 45 6% to £1 4 million This is the first full year since the Company withdrew from the mainstream digital camera market, allowing the Company to focus its efforts on its more profitable products during the year This is reflected in the growth in turnover in all remaining product categories – 8 1% for calculators, 27 2% for Timepieces, 20 3% for musical instruments, 4 2% for projectors and 17 2% for business solutions products (cash registers and hand-held devices) Last year the directors reported the impact on the business of the devastating floods in Thailand in the autumn of 2011, which left the Company short of Timepiece products over the last few months of that financial year It took some time to restore stock levels fully but this was achieved early in the year under review and is, in part, responsible for the exceptional growth of 27 2% mentioned above The overall performance of the Company is particularly pleasing given the background of the challenging conditions of the current UK economy, both for the high street retailers and for companies considering capital projects

In these difficult trading conditions the Company closely monitored and managed all areas of expenditure and risk – in particular stock, accounts receivable and overheads The directors are pleased to report good performance in all of these areas and, as a result, can confirm a significant increase in net profit before tax of 45 6% to £1 4 million

Key Performance Indicators (KPI)

The Company's main financial key performance indicators continue to be turnover and operating profit As can be seen from the above commentary, the results against these KPI's were very positive for both In addition to this, the controls put in place by the directors ensured that stock levels remained in line with current trading requirements and average debtor days have remained consistent The combination of all of these factors meant that the Company maintained a positive Cash Flow throughout the year

Another important KPI for the Company is environmental responsibility The directors are pleased to report that the Company complies with all the relevant sections of the Casio Group's Environmental Report – full details of which can be obtained from the parent company's website at www casio com

Risks

The main areas of risk for the Company continue to be maintaining an appropriate level of stock and that of credit As mentioned above the management controls already in place to control stock levels are robust and continued to work well in the difficult economic climate experienced during the year It is important that these are maintained to ensure no losses are incurred through slow moving stock whilst, at the same time, allowing growth in those areas of the business that are doing well With regard to credit the directors report no significant losses or write-downs during the year However, due to the volatility of the current economic climate, this remains an area that will continue to be monitored at the highest level

Compliance with European Directives

The Company has continued to work closely with all relevant authorities to ensure full compliance with current and future EU Directives Of particular importance to the company are the Directives on Waste Electrical and Electronic Equipment (WEEE), Restriction on Hazardous Substance (RoHS) and the Battery Directive and the directors are satisfied that all appropriate steps have been taken to ensure full compliance In addition the company continues to comply with the very strict requirements placed on it by HM Revenue & Customs to maintain its Authorised Economic Operator (AEO) status achieved in May 2009

Future Plans and Prospects

The future prospects of any company in the consumer electronics business are inextricably linked to the constant supply of new and innovative products and in 2013 we will see many such new products This year marks the 30th anniversary of first G-Shock watch and a new premium range of G-Shock watches will be introduced during the year On the "business to business" side, the Company will concentrate efforts on its new cloud services Casio Business Portal and the VX Tablet, our first Android™ platform tablet computer Our parent company is researching and developing product in the Digital Signage market, which should present a unique and exciting opportunity for the Company to work alongside its projector products

The directors are confident that the combination of new products and continued control over costs and key risk areas will mean that the Company will continue to grow and trade profitability in 2013/14

Dividends

No dividends were paid during the year *(2012 £nil)*

Political and charitable contributions

The Company made no political contributions during the year *(2012 none)* Donations to UK charities amounted to £85 *(2012 £450)*

Directors

The directors who held office during the year were as follows
T Okimuro
K Yamashita
H Kubo

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

Directors' report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

H Kubo
Director

Registered number 01203633

10 Norwich Street
London
EC4A 1BD

29 **April 2013**

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)

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 these 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 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 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 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASIO ELECTRONICS CO. LIMITED

We have audited the financial statements of Casio Electronics Co Limited for the year ended 31 March 2013 set out on pages 6 to 15 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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, and express an opinion on, 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 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 Financial Reporting Council'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 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 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

Timothy Rush (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

29th April 2013

Profit and loss account

for the year ended 31 March 2013

	Note	**2013** **£**	2012 £
Turnover	*2*	**53,563,000**	49,741,633
Cost of sales		**(34,511,054)**	(32,723,850)
Gross profit		**19,051,946**	17,017,783
Other operating expenses	*3*	**(17,641,383)**	(16,057,738)
Operating profit		**1,410,563**	960,045
Interest receivable and similar income	*4*	**19,537**	21,918
Interest payable and similar charges	*5*	**(136)**	-
Profit on ordinary activities before taxation	*6*	**1,429,964**	981 963
Tax charge on profit on ordinary activities	*9*	**(353,000)**	(336,460)
Profit for the financial year	*17*	**1,076,964**	645,503

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £1,076,964 in the year ended 31 March 2013 *(2012 £645,503)*

All profits and losses were derived from continuing operations

Balance sheet
at 31 March 2013

	Note	2013		2012	
		£	£	£	£
Fixed assets					
Tangible assets	*10*		**311,535**		430,309
Current assets					
Stock	*11*		**6,201,871**		4,867,718
Debtors – amounts due within one year	*12*	**11,851,986**		8 979,445	
Debtors – amounts due after one year	*12*	**53,000**		31,000	
			11,904,986		9,010,445
Cash at bank and in hand			**2,422,105**		3,379,645
			20,528,962		17,257,808
Creditors: amounts falling due within one year	*13*		**(10,294,507)**		(8,092,175)
Net current assets			**10,234,455**		9,165,633
Total assets less current liabilities			**10,545,990**		9,595,942
Creditors amounts falling due after one year	*14*		**(218,263)**		(345,179)
Provisions for liabilities	*15*		**(400,000)**		(400,000)
Net assets			**9,927,727**		8,850,763
Capital and reserves					
Called up share capital	*16*		**6,600,000**		6,600,000
Profit and loss account	*17*		**3,327,727**		2,250,763
Equity shareholders' funds	*18*		**9,927,727**		8,850,763

These financial statements were approved by the board of directors on 29 April 2013 and were signed on its behalf by

H Kubo
Director

Registered number: 01203633

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 are 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 company includes the Company in its own published consolidated financial statements

Fixed assets and 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 economic lives as follows

Leasehold improvements	-	over the unexpired portion of the lease
Computer equipment	-	25-33% per annum
Furniture and equipment	-	20% per annum

Stock

Stock is stated at the lower of cost and net realisable value Cost incurred in bringing each product to its present location and condition is based on purchase cost on a first-in, first-out basis, including transport, freight, duty and insurance Goods in transit are valued at the lower of actual cost, (which is exclusive of inland freight and duty), and net realisable value Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Taxation

The charge/(credit) for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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 Financial Reporting Standard No 19

Pensions

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independent administered fund The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are included in either accruals or prepayments in the balance sheet

Notes *(continued)*

1 Accounting policies *(continued)*

Warranty claims

Provision is made for estimated future costs under warranty agreements, any movements are charged to the profit and loss account

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes Turnover is recognised on despatch of the goods Deferred income represents amounts receivable for goods not yet despatched or services not yet provided to customers

2 Analysis of turnover

The Company's sole continuing activity is the import, sale and distribution of products from its parent undertaking

Turnover by geographical area comprises

	2013	2012
	£	£
United Kingdom	**52,011,485**	48,273,957
Eire	**1,021,714**	1,023,800
Intercompany	**529,801**	443,876
	53,563,000	49 741,633

3 Other operating expenses

	2013	2012
	£	£
Selling and marketing costs	**15,226,328**	13,527 664
Administrative expenses	**2,415,055**	2,530,074
	17,641,383	16,057 738

4 Interest receivable and similar income

	2013	2012
	£	£
Bank interest receivable and similar income	**19,537**	21,918

5 Interest payable and similar charges

	2013	2012
	£	£
Amounts payable to HMRC	**136**	-

Notes *(continued)*

6 Profit on ordinary activities before taxation

	2013 £	2012 £
Profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	**154,315**	141 607
Operating lease rentals		
- Land and buildings	**525,313**	394,626
- Other	**303,008**	299,841
Auditors' remuneration:		
Audit of these financial statements	**55,615**	53 100
Other services relating to taxation	**19,311**	13,525

7 Remuneration of directors

	2013 £	2012 £
Directors' emoluments	**189,636**	240,262

Highest-paid director

The highest-paid director received emoluments amounting to £189,636 *(2012 £240,262)*

Pensions

No director was a member of a money purchase pension scheme *(2012 none)*

8 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows

	Number of employees 2013	2012
Sales and marketing	**71**	69
Finance administration operation and service	**61**	63
	132	132

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**5,616,996**	5,656,892
Social security costs	**559,527**	525 949
Other pension costs	**501,049**	468,879
	6,677,572	6,651,720

Notes *(continued)*

9 Taxation

Analysis of charge in period:

	2013	2012
	£	£
UK corporation tax		
Current tax on profit for the period	**375,000**	292,000
Adjustments in respect of prior periods	**-**	(1,540)
Total current tax charge	**375,000**	290,460
Deferred taxation	**(22,000)**	46,000
Tax charge on profit on ordinary activities	**353,000**	336,460

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2012 higher)* than the standard rate of corporation tax in the UK 24% *(2012 26%)* The differences are explained below

Current tax reconciliation

	£	£
Profit on ordinary activities before tax	**1,429,964**	981,963
Current tax at 24% *(2012 26%)*	**343,191**	255,311
Effects of		
Expenses not deductible for tax purposes	**14,294**	58,376
Non qualifying depreciation	**(4,485)**	24,313
Difference between depreciation and capital allowances	**20,000**	(29,000)
Other timing differences	**2,000**	(17 000)
Adjustments to tax charge in respect of previous periods	**-**	(1,540)
Total current tax charge (see above)	**375,000**	290,460

Notes *(continued)*

10 Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Furniture and equipment £	Total £
Cost				
At beginning of year	2 702 858	1 818 892	1,042 551	5,564 301
Additions	-	36,369	-	36,369
Disposals	-	(1 355)	-	(1,355)
At end of year	2 702,858	1,853,906	1,042,551	5,599,315
Depreciation				
At beginning of year	2 461,838	1,752,908	919 246	5 133,992
Charge for year	86 223	41 611	26 481	154,315
Disposals	-	(527)	-	(527)
At end of year	2,548,061	1 793,992	945 727	5 287 780
Net book value				
At 31 March 2013	**154,797**	**59,914**	**96,824**	**311,535**
At 31 March 2012	**241,020**	**65,984**	**123,305**	**430,309**

11 Stock

	2013 £	2012 £
Goods in transit	**1,244,188**	1,049 589
Finished goods	**4,845,930**	3,727,840
Spare parts	**111,753**	90,289
	6,201,871	4,867,718

Except for currency fluctuations, there is no material difference between the balance sheet value of stocks and their replacement cost

12 Debtors

Amounts due within one year:	**2013 £**	2012 £
Trade debtors	**11,029,529**	8,497,323
Amounts owed by group undertakings	**126,683**	120 798
Prepayments and accrued income	**695,774**	361 324
	11,851,986	8,979,445

Notes *(continued)*

12 Debtors *(continued)*

Amounts due after one year:	2013 £	2012 £
Deferred taxation (see below)	**53,000**	31,000

The amounts of deferred taxation assets comprise	£	£
Capital allowances	**29,000**	9,000
Other timing differences	**24,000**	22,000
	53,000	31,000

The movement in the year comprises	£	£
Brought forward at beginning of year	**31,000**	77,000
Charged to profit and loss account	**22,000**	(46,000)
Carried forward at end of year	**53,000**	31,000

The UK Budget announced a phased reduction in the main UK corporation tax rate from 28% to 22% by April 2014, with the most recent reduction to 24% taking effect from 1 April 2012 (and substantively enacted on 26 March 2012), followed by the subsequent reduction to 23% from 1 April 2013 The Budget also set out various other proposed corporation tax changes, including changes in capital allowance rates

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date Therefore, at 31st March 2013, deferred tax assets and liabilities have been calculated based on a rate of 23%, where the temporary difference is expected to reverse after 1st April 2013

13 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	**853,694**	717 314
Amounts owed to group undertakings	**3,992,808**	2,445,393
Taxation and social security	**970,372**	765,080
Accruals	**3,539,556**	3,307,871
Corporation tax payable	**205,431**	157,000
Warranty claims	**494,763**	401,184
Deferred income	**237,883**	298,333
	10,294,507	8 092,175

Notes *(continued)*

14 Creditors: amounts falling due after one year

	2013 £	2012 £
Deferred income	**218,263**	345 179

15 Provisions for liabilities

	2013 £	2012 £
Dilapidations provision	**400,000**	400,000

16 Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid		
6,600,000 ordinary shares of £1 each	**6,600,000**	6,600,000

17 Reserves

	2013 £
Profit and loss account	
Retained earnings at beginning of year	**2,250,763**
Profit for the financial year	**1,076,964**
Retained earnings at end of year	**3,327,727**

18 Reconciliation of movements in equity shareholders' funds

	2013 £	2012 £
Opening shareholders funds	**8,850,763**	8,205,260
Profit for the financial year	**1,076,964**	645,503
Closing shareholders' funds	**9,927,727**	8,850,763

No dividends were paid during the year *(2012 £nil)*

Notes *(continued)*

19 Commitments

Capital commitments

There were no capital commitments at 31 March 2013 *(2012 none)*

Lease commitments

At the end of the year the Company had annual commitments under non-cancellable operating leases as follows

	2013		2012	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Operating leases which expire				
-within one year	**-**	**75,268**	-	61,728
-in the second to fifth years inclusive	**565,945**	**151,729**	565 945	190,891
-over five years	**-**	**-**	-	-
	565,945	**226,997**	565,945	252 619

20 Pensions

The Company operates a defined contribution pension scheme with Friends Life U K Ltd Employees with at least three months service and over 18 years of age are entitled to join the scheme The Company makes full contribution to the scheme, no contribution being required by the employees The Company also funds a separate life assurance policy for all employees The cost of these schemes for the year to the Company was £501,049 *(2012 £468,879)*

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

21 Related party transactions

Casio Electronics Co Limited, being a wholly owned subsidiary undertaking, has taken advantage of the exemptions available to it under Financial Reporting Standard No 8, with respect to the disclosure of related party transactions Amounts owed by and to related parties are disclosed in notes 12 and 13 respectively

22 Ultimate parent company

The Company is a subsidiary undertaking of the ultimate parent company, Casio Computer Co Limited, incorporated in Japan

The only group in which the results of Casio Electronics Co Limited are consolidated is that headed by Casio Computer Co Limited, whose principal place of business is at 6-2 Hon-Machi, 1-Chome, Shibuya-ku, Tokyo 151 8543, Japan The consolidated financial statements of this group are available to the public and may be obtained from the above address