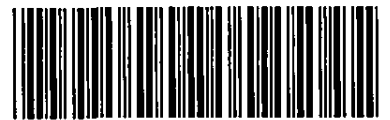


Registered Number 3082500

CyberOptics Limited
Annual report
for the year ended 31 December 2007

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CyberOptics Limited

Annual report for the year ended 31 December 2007

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CyberOptics Limited

Directors and advisers

Directors

SC Langbridge

K Iverson

JA Bertelsen

Secretary

SC Langbridge

Registered Office

The High Laithe

Gargrave Road

Broughton Skipton

North Yorkshire BD23 3AQ United Kingdom

Auditors

Wilkins Kennedy

Bridge House

London Bridge

London

SE1 9QR

Solicitors

Dorsey & Whitney

Veritas House

125 Finsbury Pavement

LONDON

EC2A 1NQ

CyberOptics Limited

Directors' report for the year ended 31 December 2007

The directors of CyberOptics Limited present their annual report, together with the audited financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the business is the development and sale of computer vision software and inspection systems

All revenue recognised is inter-company with the ultimate parent company, CyberOptics Corporation. Turnover relates solely to licence fee income, and other income relates to re-imbursed expenditure from CyberOptics Limited's ultimate parent company.

Business review and future prospects

The results for the year are set out in the profit and loss account on page 5. The company is actively marketing the products manufactured by its parent company.

The directors consider the state of affairs and future prospects of the company to be satisfactory.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2006 £nil).

Research and development

This location is primarily a sales office. Research and development functions have transitioned to the US office. The company is continually working on developing and improving its products. All research and development expenditure is written off to the profit and loss account as incurred.

Directors and their interests

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

SC Langbridge
K Iverson
JA Bertelsen

CyberOptics Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit and 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, 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 1985. They are 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions


Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint Wilkins Kennedy as auditors to the company will be proposed at the annual general meeting

By order of the Board


SC Langbridge
Director

 September 2008

CyberOptics Limited

Independent auditors' report to the members of CyberOptics Limited

We have audited the financial statements of CyberOptics Limited for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

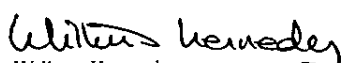
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at December 31, 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985,
- The information given in the Directors Report is consistent with the financial statements.



Wilkins Kennedy
Chartered Accountants and Registered Auditors
London

7 October 2008

CyberOptics Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover from continuing operations	2	567	536
Cost of sales		-	-
Gross profit		567	536
Administrative expenses	6	(694)	(643)
Other income		749	693
Operating profit from continuing operations	3	622	586
Interest payable and similar charges	7	-	-
Profit on ordinary activities before taxation		622	586
Taxation	8	-	-
Profit on ordinary activities after taxation		622	586
Accumulated deficit brought forward	14	(3,405)	(3 991)
Accumulated deficit carried forward		(2,783)	(3,405)

All results derive from continuing operations

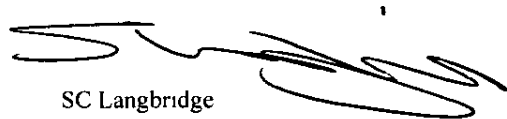
The notes form part of these financial statements

CyberOptics Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	9	5	6
Current assets			
Debtors	10	19	16
Cash at bank and in hand		22	104
		41	120
Creditors' amounts falling due within one year	11	(2,829)	(3,531)
Net current liabilities		(2,788)	(3,411)
Net liabilities		(2,783)	(3,405)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(2,783)	(3,405)
Equity shareholders' funds	15	(2,783)	(3,405)

The financial statements on pages 5 to 16 were approved by the board of directors on ~~30~~²⁸ September 2008 and were signed on its behalf by


SC Langbridge
Director

The notes form part of these financial statements

CyberOptics Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	2007	2006
	£'000	£'000
Profit for the financial year	622	586
Total recognised gains for the year	622	586
Prior period adjustment	-	(175)
Total gains and losses reported since last annual report	622	411

The notes form part of these financial statements

CyberOptics Limited

Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons:

- i) CyberOptics Corporation, the company's ultimate parent company, has confirmed that it will continue to support the company and its immediate parent for the foreseeable future and for at least 12 months from the date of signature of these financial statements. This support will continue to be by way of interest-bearing loans made to both the immediate parent company CyberOptics Holdings Limited and direct to CyberOptics Limited.
- ii) The directors of the immediate parent company, CyberOptics Holdings Limited, have confirmed that they will not demand repayment of the loan made to the company should this jeopardise its ability to continue to trade or to meet its liabilities to third parties. They have also confirmed that they will continue to make funds available to the company to enable it to continue to trade and to meet its liabilities to third parties.

Having considered all the relevant facts the directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not therefore include any adjustments which may be necessary should this basis not be appropriate.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

The directors have taken advantage of the exemption contained in paragraph 3(c) of FRS 8 and have not disclosed related party transactions and balances with parent and fellow subsidiary undertakings.

Fixed assets and depreciation

Depreciation is provided by the company 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:

Fixtures & fittings	1 - 3 years
---------------------	-------------

Share-based payments

The company has adopted the provisions of FRS 20 'share-based payment'. The adoption of FRS 20 has resulted in a change in accounting policy for share-based payment transactions. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged, where material, to the profit and loss account over the vesting or performance period.

CyberOptics Limited

Accounting policies (continued)

Share-based payments (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Deferred taxation

Under FRS19, deferred tax is provided for in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The adoption of FRS19 has had no material impact on these accounts.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution group personal pension scheme. The company also makes contributions into personal pension plans of certain directors. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of services during the year, and is recognised when goods are delivered to customers.

All revenue recognised is inter-company with the ultimate parent company CyberOptics Corporation. Turnover relates solely to licence fee income, and other income relates to re-imbursed expenditure from CyberOptics Corporation.

Financial Instruments

The company has adopted Financial Reporting Standard 25 in the prior year. No changes to the presentation of financial instruments have been considered necessary as a result of adoption.

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007

2 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation is wholly attributable to the principal activity of the company, and arises wholly within the United Kingdom

3 Operating profit

	2007	2006
	£'000	£'000
The operating profit is stated after charging/(crediting)		
Auditors' remuneration		
For audit services – current auditor	13	10
For audit services – previous auditor	-	7
For non audit services	2	9
Depreciation		
Owned tangible assets	4	5
Rentals payable under operating leases	21	21

4 Remuneration of directors

	2007	2006
	£'000	£'000
Directors' emoluments		
As executives	103	139
Pension contributions	8	8
	111	147

In addition to the above the weighted average fair value of option awards to directors relevant to the year under FRS20 was £2000 (2006 £2000) Pension contributions were paid into money purchase pension schemes on behalf of 1 director (2006 1)

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 6 (2006 5)

The aggregate payroll costs of these persons were as follows

	2007	2006
	£'000	£'000
Wages and salaries	277	263
Social security costs	32	31
Other pension costs (see note 17)	18	16
	327	310

6 Administrative expenses

	2007	2006
	£'000	£'000
Other administrative expenses	694	643

7 Interest payable and similar charges

	2007	2006
	£'000	£'000
Interest payable on amounts owed to ultimate parent undertaking	-	-

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Taxation

- (a) The tax charge for the period is £771 (2006 £318)
- (b) The tax charge for the current and prior year is lower than the standard rate of corporation tax in the UK (30%) for the following reasons

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	622	586
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	187	176
Effects of		
Expenses not deductible for tax purposes	1	1
Depreciation for the year in excess of capital allowances	1	1
Other timing differences	-	-
Utilization of tax losses	(189)	(178)
Current tax charge for the year		-

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

9 Tangible fixed assets

	Fixtures and fittings
	£'000
Cost	
At 1 January 2007	35
Additions	3
Disposals	-
At end of year	38
Depreciation	
At 1 January 2007	29
Charge for the year	4
Disposals	-
At end of year	33
Net book value	
At 31 December 2007	5
At 31 December 2006	6

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Debtors

	2007	2006
	£'000	£'000
Taxation and social security	8	6
Prepayments and accrued income	11	10
	19	16

11 Creditors – Amounts falling due within one year

	2007	2006
	£'000	£'000
Trade creditors	21	19
Amounts owed to immediate parent undertaking	2,734	3,458
Taxation and social security	10	6
Accruals and deferred income	64	48
	2,829	3,531

12 Provisions for liabilities and charges

Deferred tax

There is no provision for deferred taxation since there is insufficient certainty over the recoverability of the asset. The accumulated un-provided deferred tax asset as at 31 December 2007 is approximately £0.6 million (2006: £1.0 million) and relates primarily to tax losses.

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 Called up share capital

	2007	2006
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
5 ordinary shares of £1 each	5	5

14 Profit and loss account – accumulated deficit

	2007	2006
	£'000	£'000
At beginning of the year as previously stated	(3,405)	(3,816)
Prior period adjustment	-	(175)
At beginning of the year as restated	(3,405)	(3,991)
Retained profit for the year as restated	622	586
At end of the year	(2,783)	(3,405)

15 Reconciliation of movements in equity shareholders' funds

	2007	2006
	£'000	£'000
Retained profit for the year	622	586
Movement in equity shareholders' funds	622	586
Opening shareholders' deficit	(3,405)	(3,991)
Closing shareholders' deficit	(2,783)	(3,405)

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

16 Prior Period Adjustment

During 2006, certain errors were identified in the recognition of licence fee revenue relating to prior years. Consequently, a prior year adjustment has been made and the deficit on opening reserves for 2006 has been increased by £175,000.

17 Pension scheme

The company makes contributions to the money purchase schemes of the directors and provides for pension payments to be made into a group personal pension scheme for other employees. The assets are held separately from those of the company.

The contributions paid by the company during the year were £18,000 (2006: £16,000). Accrued contributions amounted to £nil (2006: £nil) at the period end.

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2007	2006
	£'000	£'000
Land and buildings		
Operating leases which expire		
Within one year	-	-
In more than 5 years	21	21
	21	21

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

19 Share-based payments

In 1998, the Company adopted the 1998 Stock Incentive Plan ("the Plan"), which provides for the grant of restricted stock awards and stock options to employees, officers, directors and consultants. The purpose of the Plan is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with equity participation in the company. Awards granted under the Plan generally vest over a period of 4 years and stock options have a term of 7 years. One UK based employee has qualified for inclusion in this Plan. The directors consider that the following table summarises information about options to purchase the Company's Ordinary Shares, as well as changes during the year, relevant to UK employees.

	2007 £'000	2007 WAEP*	2006 £'000
Outstanding as at 1 January 2007	4,000	12.07 USD	5,800
Granted during the year	-	-	-
Forfeited during the year	(500)	11.87 USD	(1,800)
Exercised during the year	-	-	-
Outstanding as at 31 December 2007	3,500	12.10 USD	4,000

* weighted average exercise price

Of the above outstanding share options, 1,500 (2006: 1,500) relate to share options issued since November 2002.

The weighted average fair value of options granted during the year was \$Nil (2006: \$Nil). The range of exercise prices for options outstanding at the end of the period was \$11.71 - \$12.61. The average share price during the period was \$12.10.

The directors consider that the charge to the profit and loss account based on the weighted average fair value of options granted since November 2002 would be immaterial and hence no charge has been made in respect of the current or preceding year.

CyberOptics Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

19 Share-based payments (continued)

The fair value of the equity settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

Weighted average of	
Expected life (years)	4 years
Risk free interest rate	4%
Volatility (%)	77.45%
Weighted averaged fair value per 2005 option at grant date	\$7.5078

20 Immediate and ultimate parent undertaking

The company's immediate parent undertaking at the balance sheet date was CyberOptics Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is CyberOptics Corporation, a company incorporated in the United States.

The largest and smallest group in which the results of the company are consolidated is CyberOptics Corporation. These financial statements are available to the public and may be obtained from

CyberOptics Corporation, 5900 Golden Hills Drive, Minneapolis, MN USA 55416