

**MORI SEIKI (UK) LIMITED**

**Report and Financial Statements**

**31 March 2005**



REPORT AND FINANCIAL STATEMENTS 2005

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**REPORT AND FINANCIAL STATEMENTS 2005**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Masahiko Mori  
Takeshi Saito  
Hiroaki Tamai

**SECRETARY**

Masanori Morizuka

**REGISTERED OFFICE**

Hill House  
1 Little New Street  
London  
EC4A 3TR

**BANKERS**

HSBC Plc  
Bank of Tokyo-Mitsubishi Limited

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
St Albans

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### ACTIVITIES

The principal activity of the company is the supply and distribution of computer controlled machine lathes and associated spare parts.

### REVIEW OF BUSINESS

The details of the results of the company are set out in the profit and loss account on page 5. The company made a profit after tax for the year of £256,077 (2004: £136,787 loss after tax).

### DIVIDENDS

No dividends were proposed or paid during the year (2004: £nil).

### FUTURE PROSPECTS

The directors consider that the company is well placed to perform satisfactorily given a favourable trading climate.

### DIRECTORS AND THEIR INTERESTS

The directors serving at the end of the year are shown on page 1. There have been no changes in the directors during the year. All the directors are Japanese.

The directors' interests, as defined by the Companies Act 1985, in the ordinary shares of the company at 31 March 2004 and 2005 were as follows:

	Ordinary shares of £1 each	
	2005	2004
M Mori	1	1

The directors' interests in shares of the ultimate parent company are shown in the financial statements of that company.

### AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

Masanori Morizuka  
Secretary



6 July

2005

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORI SEIKI (UK) LIMITED**

We have audited the financial statements of Mori Seiki (UK) Limited for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
St Albans

*12 August*

2005

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2005**

	Note	2005 £	2004 £
<b>TURNOVER</b>	2	17,801,803	15,136,847
Cost of sales		(15,460,491)	(13,688,832)
Gross profit		2,341,312	1,448,015
Distribution costs		(651,400)	(370,651)
Administrative expenses		(1,413,587)	(1,446,756)
Other operating income	3	155,768	213,406
<b>OPERATING PROFIT/(LOSS)</b>	5	432,093	(155,986)
Interest receivable and similar income	6	3,558	3,794
Interest payable and similar charges	7	(27,078)	(15,876)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		408,573	(168,068)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(152,496)	31,281
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		256,077	(136,787)
<b>Profit and loss account brought forward</b>		1,985,301	2,122,088
<b>Profit and loss account carried forward</b>		2,241,378	1,985,301

All turnover and expenses have been derived from continuing operations.

There are no recognised gains and losses or movements in shareholders' funds other than the profit for the current and preceding financial years. Accordingly, no Statement of Total Recognised Gains and Losses or Reconciliation of Movements in Shareholders' Funds are shown.

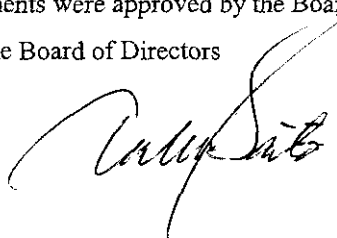
**BALANCE SHEET**  
**31 March 2005**

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	9	<u>1,841,358</u>	<u>1,626,284</u>
<b>CURRENT ASSETS</b>			
Stocks	10	594,833	1,507,155
Debtors	11	5,678,852	4,601,686
Cash at bank and in hand		<u>897,363</u>	<u>445,207</u>
		7,171,048	6,554,048
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(4,518,836)</u>	<u>(3,936,417)</u>
<b>NET CURRENT ASSETS</b>		<u>2,652,212</u>	<u>2,617,631</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,493,570	4,243,915
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	<u>(79,192)</u>	<u>(85,614)</u>
		<u>4,414,378</u>	<u>4,158,301</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,173,000	2,173,000
Profit and loss account		<u>2,241,378</u>	<u>1,985,301</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>4,414,378</u>	<u>4,158,301</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

6 JULY

2005



Takeshi Saito



## NOTES TO THE ACCOUNTS

### Year ended 31 March 2005

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

##### Accounting convention

The financial statements are prepared under the historical cost convention.

##### Tangible fixed assets

No depreciation is charged on freehold land. Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost of each asset by equal instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	4% per annum
Plant and machinery	20% per annum
Motor vehicles	20% per annum
Fixtures and fittings	Between 10% and 33% per annum

##### Stocks

Stocks are stated at the lower of cost and net realisable value.

##### Deferred taxation

Deferred taxation is provided 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

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.

##### Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

##### Foreign currency transactions

Transactions during the year denominated in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates ruling at that date. Translation gains and losses arising during the period are included in the profit and loss account.

#### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. A geographical analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	12,900,788	9,197,540
Europe	4,693,696	5,718,241
Japan	207,103	221,066
USA	216	-
	<u>17,801,803</u>	<u>15,136,847</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2005**

**3. OTHER OPERATING INCOME**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Commission from parent company	259,317	201,121
Sundry income	49,719	74,320
Foreign exchange losses	(153,268)	(62,035)
	<u>155,768</u>	<u>213,406</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No director received any emoluments in respect of the company during the year (2004: nil).

<b>Average number of persons employed</b>	<b>2005</b>	<b>2004</b>
	<b>No.</b>	<b>No.</b>
Technical	6	8
Administration	6	7
	<u>12</u>	<u>15</u>
<b>Staff costs during the year</b>	<b>£</b>	<b>£</b>
Wages and salaries	527,988	684,729
Social security costs	41,256	45,139
	<u>569,244</u>	<u>729,868</u>

**5. OPERATING PROFIT/(LOSS)**

<b>Operating profit/(loss) is after charging/(crediting):</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Depreciation	126,554	143,613
Profit on sale of fixed assets	(27,844)	-
Auditors' remuneration		
audit fees	20,400	16,750
other professional fees	4,000	29,103
Foreign exchange losses	153,268	62,035
	<u>153,268</u>	<u>62,035</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank interest	3,558	3,794
	<u>3,558</u>	<u>3,794</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank interest	27,078	7,195
Interest payable on intercompany loan	-	8,681
	<u>27,078</u>	<u>15,876</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2005**

**8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2005 £	2004 £
United Kingdom corporation tax at 30% (2004 – 30%) based on the profit/(loss) for the year	158,828	(43,923)
Adjustments in respect of prior years	90	(714)
	<u>158,918</u>	<u>(44,637)</u>
Deferred taxation		
Timing differences, origination and reversal	449	9,451
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	-
Adjustments in respect of prior years	(6,871)	3,905
	<u>152,496</u>	<u>(31,281)</u>

**Factors affecting tax charge for the current year**

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK - 30% (2004 - 30%).

	2005 £	2004 £
Profit/(loss) on ordinary activities before tax	408,573	(168,068)
Tax on profit/(loss) on ordinary activities at standard rate	122,572	(50,630)
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	36,705	16,157
Capital allowances in excess of depreciation	422	(9,450)
Utilisation of tax losses	(871)	-
Adjustments in respect of prior years	90	(714)
	<u>158,918</u>	<u>(44,637)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2005**

**9. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 April 2004	2,035,529	456,554	243,816	220,226	2,956,125
Additions	366,155	23,500	-	64,434	454,089
Disposals	-	(152,058)	(91,663)	(50,126)	(293,847)
At 31 March 2005	2,401,684	327,996	152,153	234,534	3,116,367
<b>Accumulated depreciation</b>					
At 1 April 2004	636,250	323,430	171,378	198,783	1,329,841
Charge for the year	66,546	19,650	26,462	13,896	126,554
Disposals	-	(39,598)	(91,662)	(50,126)	(181,386)
At 31 March 2005	702,796	303,482	106,178	162,553	1,275,009
<b>Net book value</b>					
At 31 March 2005	1,698,888	24,514	45,975	71,981	1,841,358
At 31 March 2004	1,399,729	133,124	72,438	21,443	1,626,284

Included within freehold land and buildings is £677,000 (2004: £677,000) relating to freehold land which is not depreciated.

**10. STOCKS**

	2005 £	2004 £
Finished goods and goods for resale	594,833	1,507,155

**11. DEBTORS**

	2005 £	2004 £
Trade debtors	5,352,835	4,420,379
Amounts owed by group undertakings	146,864	62,471
Corporation tax recoverable	43,833	70,751
Prepayments and other debtors	66,599	48,085
VAT debtor	68,721	-
	5,678,852	4,601,686

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2005**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005 £	2004 £
Amounts owed to group undertakings		
Parent company	3,081,009	3,104,764
Fellow subsidiaries	706,434	524,486
Taxation and social security	112,328	63,972
Accruals and deferred income	480,201	123,921
Trade creditors	120,581	59,840
Other creditors	18,283	59,434
	<u>4,518,836</u>	<u>3,936,417</u>

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

The amounts of deferred tax provided in the accounts are as follows:

	2005 £	2004 £
Capital allowances in advance of depreciation	79,192	85,614

There were no unprovided deferred tax liabilities at 31 March 2005 (2004: £nil).

	£
Deferred taxation at 1 April 2004	85,614
Credit to the profit and loss account	(6,422)
Deferred taxation at 31 March 2005	<u>79,192</u>

**14. CALLED UP SHARE CAPITAL**

	2005 £	2004 £
Authorised, allotted, called up and fully paid 2,173,000 ordinary shares of £1 each	<u>2,173,000</u>	<u>2,173,000</u>

**15. ULTIMATE PARENT COMPANY**

The ultimate parent company and controlling entity is Mori Seiki Co Limited, a company incorporated in Japan. The largest and smallest group of companies for which consolidated financial statements are prepared is headed by Mori Seiki Co Limited and a copy of the group accounts is available at 362 Idono-cho Yamato-Koriyama City, Nara 639-11, Japan.

The company has taken advantage of the exemptions available under paragraph 3(c) of FRS 8 regarding the disclosure of transactions between related parties.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised) not to produce a cash flow statement.