

MORI SEIKI (UK) LIMITED

Report and Financial Statements

31 March 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mashiko Mori
Yukio Mori (Resigned 23/10/2003)
Takeshi Saito
Hiroaki Tamai (Appointed 23/10/2003)

SECRETARY

Makoto Aoki (Resigned 23/10/2003)
Masanori Morizuka (Appointed 23/10/2003)

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

HSBC Plc
UFJ Limited

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
St Albans

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

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 loss after tax for the year of £136,787 (2003: £179,982 profit).

DIVIDENDS

No dividends were proposed or paid during the year (2003: £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 2003 and 2004 were as follows:

	Ordinary shares of £1 each	
	2004	2003
M Mori	1	1

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

AUDITORS

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company gave its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 and accordingly the accounts have been signed in the name of Deloitte & Touche LLP. A resolution for the re-appointment of Deloitte & Touche LLP 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

7 JULY 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company 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 2004 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 2004 and of its loss 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

21 July

2004

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2004

	Note	2004 £	2003 £
TURNOVER	2	15,136,847	14,990,949
Cost of sales		(13,688,832)	(13,604,152)
Gross profit		1,448,015	1,386,797
Distribution costs		(370,651)	(307,100)
Administrative expenses		(1,446,756)	(1,270,559)
Other operating income	3	275,441	465,023
OPERATING (LOSS)/PROFIT	5	(93,951)	274,161
Foreign exchange (loss)/gain		(62,035)	44,606
Interest receivable and similar income	6	3,794	12,318
Interest payable and similar charges	7	(15,876)	(60,667)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(168,068)	270,418
Tax charge on profit on ordinary activities	8	31,281	(90,436)
RETAINED (LOSS)/PROFIT FOR THE YEAR		(136,787)	179,982
Profit and loss account brought forward		2,122,088	1,942,106
Profit and loss account carried forward		1,985,301	2,122,088

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 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	9	<u>1,626,284</u>	<u>1,635,311</u>
CURRENT ASSETS			
Stocks	10	1,507,155	3,411,784
Debtors	11	4,601,686	3,447,114
Cash at bank and in hand		<u>445,207</u>	<u>382,186</u>
		6,554,048	7,241,084
CREDITORS: amounts falling due within one year	12	<u>(3,936,417)</u>	<u>(4,509,047)</u>
NET CURRENT ASSETS		<u>2,617,631</u>	<u>2,732,037</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,243,915	4,367,348
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(85,614)</u>	<u>(72,260)</u>
		<u>4,158,301</u>	<u>4,295,088</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,173,000	2,173,000
Profit and loss account		<u>1,985,301</u>	<u>2,122,088</u>
EQUITY SHAREHOLDERS' FUNDS		<u>4,158,301</u>	<u>4,295,088</u>

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

7 JULY 2004



Takeshi Saito

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

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:

	2004 £	2003 £
United Kingdom	9,197,540	11,592,526
Europe	5,718,241	2,963,523
Japan	221,066	434,900
	<u>15,136,847</u>	<u>14,990,949</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

3. OTHER OPERATING INCOME

	2004	2003
	£	£
Commission from parent company	201,121	407,812
Sundry income	74,320	57,211
	<u>275,441</u>	<u>465,023</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any emoluments in respect of the company during the year (2003: nil).

Average number of persons employed

	2004	2003
	No.	No.
Technical	8	8
Administration	7	6
	<u>15</u>	<u>14</u>

Staff costs during the year

	£	£
Wages and salaries	684,729	536,452
Social security costs	45,139	31,132
	<u>729,868</u>	<u>567,584</u>

5. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is after charging:

	2004	2003
	£	£
Depreciation	143,613	143,914
Auditors' remuneration		
audit fees	16,750	15,500
other professional fees	29,103	6,905
	<u></u>	<u></u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2004	2003
	£	£
Bank interest	3,794	12,318
	<u></u>	<u></u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	7,195	6,079
Interest payable on intercompany loan	8,681	54,588
	<u>15,876</u>	<u>60,667</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
United Kingdom corporation tax at 30% (2003 – 30%) based on the profit for the year	(43,923)	95,284
Adjustments in respect of prior years	(714)	(3,953)
	<u>(44,637)</u>	<u>91,329</u>
Deferred taxation		
Timing differences, origination and reversal	9,451	(893)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	-
Adjustments in respect of prior years	3,905	-
	<u>(31,281)</u>	<u>90,436</u>

Factors affecting tax charge for the current period

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK - 30% (2003 - 30%).

	2004 £	2003 £
(Loss)/Profit on ordinary activities before tax	(168,068)	270,418
Tax on profit on ordinary activities at standard rate	(50,630)	81,125
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	16,157	13,264
Capital allowances in excess of depreciation	(9,451)	893
Small companies relief	-	-
Adjustments in respect of prior years	(713)	(3,953)
	<u>(44,637)</u>	<u>91,329</u>

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to capital losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £6,778. The asset would be recovered if an asset was sold at a profit which created a chargeable gain in the next period.

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 April 2003	2,035,529	330,291	243,816	211,903	2,821,539
Additions	-	126,263	-	8,323	134,586
At 31 March 2004	2,035,529	456,554	243,816	220,226	2,956,125
Accumulated depreciation					
At 1 April 2003	581,910	295,408	127,335	181,575	1,186,228
Charge for the year	54,340	28,022	44,043	17,208	143,613
At 31 March 2004	636,250	323,430	171,378	198,783	1,329,841
Net book value					
At 31 March 2004	1,399,279	133,124	72,438	21,443	1,626,284
At 31 March 2003	1,453,619	34,883	116,481	30,328	1,635,311

Included within freehold land and buildings is £677,000 (2003: £677,000) relating to freehold land which is not depreciated.

10. STOCKS

	2004 £	2003 £
Finished goods and goods for resale	1,507,155	3,411,784

11. DEBTORS

	2004 £	2003 £
Trade debtors	4,420,379	3,273,832
Amounts owed by group undertakings	62,471	117,309
Corporation Tax recoverable	70,751	34,231
Prepayments and other debtors	48,085	21,742
	4,601,686	3,447,114

NOTES TO THE ACCOUNTS
Year ended 31 March 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Amounts owed to group undertakings		
Parent company	3,104,764	3,939,639
Fellow subsidiaries	524,486	155,406
Taxation and social security	63,972	116,325
Accruals and deferred income	123,921	140,730
Other creditors	119,274	156,947
	<u>3,936,417</u>	<u>4,509,047</u>

Included within amounts owed to parent company is an unsecured loan amount of £nil (2003: £1,400,000). Interest on this loan is charged at 4%.

13. PROVISIONS FOR LIABILITIES AND CHARGES

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

	Provided 2004 £	Provided 2003 £
Capital allowances in advance of depreciation	<u>85,614</u>	<u>72,260</u>

There were no unprovided deferred tax liabilities at 31 March 2004 (2003: £nil).

	£
Deferred taxation at 1 April 2003	72,260
Credit to the profit and loss account	13,354
Deferred taxation at 31 March 2004	<u>85,614</u>

14. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised, allotted 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.