



**MORI SEIKI (UK) LTD**

**Report and Financial Statements**

**31 March 1996**

**Deloitte & Touche  
Verulam Point  
Station Way  
St Albans  
AL1 5HE**





**REPORT AND FINANCIAL STATEMENTS 1996**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Masahiko Mori  
Yukio Mori  
Kyozi Umeoka

**SECRETARY**

Yoshiaki Oki

**REGISTERED OFFICE**

Hill House  
1 Little New Street  
London  
EC4A 3TR

**BANKERS**

Midland Bank Plc  
Sanwa Bank Ltd  
Daiwa Bank Ltd

**SOLICITORS**

Heald Nickinson

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Verulam Point  
Station Way  
St Albans  
AL1 5HE



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

## **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 for the year of £297,675 (1995 £904,073).

## **DIVIDENDS**

The directors do not recommend the payment of a dividend (1995: £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.

The directors' interests, as defined by the Companies Act, in the ordinary shares of the company at 31 March 1995 and 1996 were as follows:-

	<b>Ordinary shares of £1 each</b>	
	<b>1996</b>	<b>1995</b>
Y Mori	1	1

## **AUDITORS**

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche, and accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

**Y OKI**

Secretary

11 October 1996

**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, 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 proper accounting records which 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. 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.



## Chartered Accountants

Deloitte & Touche  
Verulam Point  
Station Way  
St Albans  
Hertfordshire AL1 5HE

Telephone: National 01727 839000  
International + 44 1727 839000  
Fax (Gp. 3): 01727 831111

## AUDITORS' REPORT TO THE MEMBERS OF MORI SEIKI (UK) LTD

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

24 October 1996


**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1996**

	Note	1996 £	1995 £
<b>TURNOVER</b>	2	16,659,763	14,565,234
Cost of sales		(15,849,266)	(13,007,968)
Gross profit		810,497	1,557,266
Distribution costs		(63,513)	(32,307)
Administrative expenses		(791,799)	(775,979)
Other operating income	3	505,211	469,906
<b>OPERATING PROFIT</b>	5	460,396	1,218,886
Foreign exchange loss		(43,268)	(31,098)
Interest receivable and similar income		27,179	13,734
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		444,307	1,201,522
Tax on profit on ordinary activities	6	(146,632)	(297,449)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		297,675	904,073
Profit and loss account brought forward		700,566	(203,507)
Profit and loss account carried forward		998,241	700,566

All turnover and expenses have been derived from continuing operations.

There are no recognised gains and losses other than the profit for the current and preceding financial years. Accordingly, no Statement of Total Recognised Gains and Losses is given.

A Statement of Reconciliation of Movements in Shareholders' Funds has not been prepared as there have not been any movements in shareholders' funds other than the profit for the year.


**BALANCE SHEET**  
**31 March 1996**

	Note	1996 £	1995 £
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>1,771,597</u>	<u>1,640,254</u>
<b>CURRENT ASSETS</b>			
Stocks	8	6,261,791	2,786,342
Debtors	9	4,507,368	2,935,468
Cash at bank and in hand		<u>715,837</u>	<u>829,368</u>
		11,484,996	6,551,178
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(10,046,907)</u>	<u>(5,275,043)</u>
<b>NET CURRENT ASSETS</b>		<u>1,438,089</u>	<u>1,276,135</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,209,686	2,916,389
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	<u>(38,445)</u>	<u>(42,823)</u>
		<u>3,171,241</u>	<u>2,873,566</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2,173,000	2,173,000
Profit and loss account		<u>998,241</u>	<u>700,566</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>3,171,241</u>	<u>2,873,566</u>

These financial statements were approved by the Board of Directors on *11th October* 1996.

Signed on behalf of the Board of Directors

**M MORI**

Director

*M. Mori*


**CASH FLOW STATEMENT**  
**Year ended 31 March 1996**

		1996 £	1995 £
Net cash inflow from operating activities	14	<u>330,806</u>	<u>209,092</u>
Returns on investments and servicing of finance			
Interest received		<u>27,179</u>	<u>13,734</u>
Taxation			
UK corporation tax (paid)/refunded		<u>(254,626)</u>	<u>14,608</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>(216,890)</u>	<u>-</u>
Net cash (outflow)/inflow before financing		<u>(113,531)</u>	<u>237,434</u>
Net cash flow from financing		<u>-</u>	<u>-</u>
Increase in cash and cash equivalents	15	<u><u>(113,531)</u></u>	<u><u>237,434</u></u>



## NOTES TO THE ACCOUNTS

### Year ended 31 March 1996

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors 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
Office equipment, 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 on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

##### Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

##### Foreign currency transactions

Transactions during the period 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

	1996 £	1995 £
United Kingdom	12,705,932	10,068,470
Europe	3,714,281	2,281,518
Japan	201,895	2,212,461
Rest of the world	37,655	2,785
	<u>16,659,763</u>	<u>14,565,234</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**
**3. OTHER OPERATING INCOME**

	1996	1995
	£	£
Commission from parent company	505,211	469,906

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No director received any emoluments from the company during the year (1995: nil).

	1996	1995
	No	No
<b>Average number of persons employed</b>		
Technical	6	6
Administration	5	5
	11	11
	£	£
<b>Staff costs during the year</b>		
Wages and salaries	367,045	320,800
Social security costs	16,036	13,004
	383,081	333,804

**5. OPERATING PROFIT**

	1996	1995
	£	£
<b>Operating profit is after charging:</b>		
Depreciation	85,547	85,864
Rentals under operating leases		
Hire of plant and machinery	26,831	29,580
Auditors' remuneration		
Audit fees	7,500	7,400
Other professional fees	5,888	5,777


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**
**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1996 £	1995 £
United Kingdom corporation tax payable at 33 % based on the profit for the year	151,010	254,626
Deferred taxation	(4,378)	42,823
	<u>146,632</u>	<u>297,449</u>

**7. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £	Plant and machinery £	Office Equipment Fixtures & Fittings £	Total £
Cost				
At 1 April 1995	1,759,580	212,674	105,623	2,077,877
Additions	185,539	-	31,351	216,890
Disposals	-	-	(32,777)	(32,777)
At 31 March 1996	<u>1,945,119</u>	<u>212,674</u>	<u>104,197</u>	<u>2,261,990</u>
Accumulated depreciation				
At 1 April 1995	173,213	174,390	90,020	437,623
Charge for the year	43,303	38,284	3,960	85,547
Disposals	-	-	(32,777)	(32,777)
At 31 March 1996	<u>216,516</u>	<u>212,674</u>	<u>61,203</u>	<u>490,393</u>
Net book value				
At 31 March 1996	<u>1,728,603</u>	<u>-</u>	<u>42,994</u>	<u>1,771,597</u>
At 31 March 1995	<u>1,586,367</u>	<u>38,284</u>	<u>15,603</u>	<u>1,640,254</u>

Included in the cost of tangible fixed assets at year end is £285,684 (1995 : £92,432) relating to assets which are fully depreciated.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**
**8. STOCKS**

	1996 £	1995 £
Finished goods and goods for resale	6,261,791	2,786,342

**9. DEBTORS**

	1996 £	1995 £
Trade debtors	3,984,570	2,239,613
Amounts owed by group undertakings		
Parent company	82,686	171,468
Fellow subsidiaries	263,334	348,649
Other debtors	176,778	175,738
	4,507,368	2,935,468

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

	1996 £	1995 £
Amounts owed to group undertakings		
Parent company	9,537,227	4,661,403
Fellow subsidiaries	99,868	198,686
Corporation tax	151,101	254,626
Other taxes and social security	-	61,799
Accruals and deferred income	258,801	98,529
	10,046,907	5,275,043

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1996 £	Provided 1995 £	Not provided 1996 £	Not provided 1995 £
Capital allowances in advance of depreciation	38,445	42,823	-	-
Gain deferred by roll over relief	-	-	-	(7,456)
	38,445	42,823	-	(7,456)


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**
**12. CALLED UP SHARE CAPITAL**

	1996 £	1995 £
Authorised, allotted and fully paid 2,173,000 ordinary shares of £1 each	2,173,000	2,173,000

**13. OPERATING LEASE COMMITMENTS**

At 31 March 1996, the company was committed to making the following payments during the next year in respect of operating leases:

	Other operating leases £
Leases which expire:	
Within one year	7,966
Within 2 to 5 years	4,820
	<u>12,786</u>

**14. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

	1996 £	1995 £
Operating profit	460,396	1,218,886
Depreciation charges	85,547	85,864
Foreign exchange loss	(43,268)	(31,098)
(Increase)/decrease in stock	(3,475,449)	1,825,349
Increase in debtors	(1,571,900)	(1,336,124)
Increase/(decrease) in creditors	4,875,480	(1,553,785)
Net cash flow from operating activities	<u>330,806</u>	<u>209,092</u>

**15. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1996 £	1995 £
Balance at 1 April	829,368	591,934
Net cash (outflow)/inflow	(113,531)	237,434
Balance at 31 March	<u>715,837</u>	<u>829,368</u>

**16. ULTIMATE PARENT COMPANY**

In the opinion of the directors the company's ultimate parent company is Mori Seiki Co Limited, a company incorporated in Japan. A copy of the group accounts is available at 362 Idono-cho Yamato-Koriyama City, Nara 639-11, Japan.