

**Mitsui Machinery Sales
(UK) Limited**

Directors' report and financial statements

31 December 1995

Registered number 1006420



Mitsui Machinery Sales (UK) Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8 - 17

Mitsui Machinery Sales (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The principal activity of the company is the import, and distribution in the UK, of Yamaha motorised products and related spare parts.

Business review

The year has been one of consolidation following the need to adapt to the increased value of the Japanese Yen against Sterling. The objective for the year was to maintain and build sales levels pending the introduction of a substantial range of new motorcycles for 1996. Targets were achieved resulting in a small profit for the year, and conditions are favourable for good progress in 1996.

The results of the company for the year are set out on page 5. The company achieved a profit on ordinary activities before taxation of £75,110 compared to £101,829 for the previous year and the retained profit has been taken to reserves.

Change of company name

The name of the company was changed to Yamaha Motor (UK) Limited with effect from 1 January 1996.

Significant changes in fixed assets

Changes in fixed assets are set out in note 8.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company does not differ significantly from the book values of these assets.

Proposed dividend

The directors do not propose a dividend for the year (1994: £Nil).

Mitsui Machinery Sales (UK) Limited

Directors' report (*continued*)

Directors and directors' interests

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

O Fukumuro	(Japanese)	(Chairman)
A Sekino	(Japanese)	
I Kobayashi	(Japanese)	
K Iwahara	(Japanese)	(Appointed 30 March 1995)
T Suhara	(Japanese)	(Resigned 30 March 1995)
RW Bakewell		
RF Ross		

None of the directors who held office at the beginning or end of the financial year had any disclosable interest in the shares of the company.

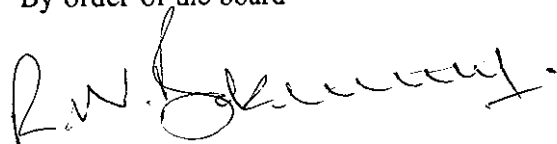
Political and charitable contributions

The company made no political or charitable contributions during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



RW Bakewell
Director

20 Old Bailey
London
EC4M 7QQ

Mitsui Machinery Sales (UK) Limited

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 and of the profit or loss 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors' report to the members of Mitsui Machinery Sales (UK) Limited

We have audited the financial statements on pages 5 to 17.

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 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KM C

29 March 1996

Chartered Accountants
Registered Auditors

Mitsui Machinery Sales (UK) Limited

Profit and loss account for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover		46,801,208	44,656,484
Cost of sales		(41,256,520)	(38,678,718)
Gross profit		5,544,688	5,977,766
Administrative expenses		5,506,349	(5,736,185)
Operating profit		38,339	241,581
Other interest receivable and similar income	5	86,122	32,864
Interest payable and similar charges	6	(49,351)	(172,616)
Profit on ordinary activities before taxation and retained profit for the financial year	2, 14	75,110	101,829

There were no recognised gains or losses other than the profit for the period.

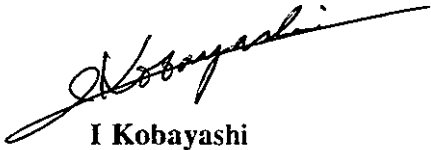
In both the current and preceding year the company made no material acquisitions and had no discontinued operations.

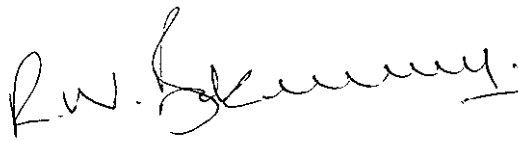
Mitsui Machinery Sales (UK) Limited

Balance sheet
at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	8	6,641,591	6,756,951
Investments	9	200	200
		<u>6,641,791</u>	<u>6,757,151</u>
Current assets			
Stocks	10	12,008,784	9,516,965
Debtors	11	3,958,672	5,358,141
Cash at bank and in hand		1,196,138	239,505
		<u>17,163,594</u>	<u>15,114,611</u>
Creditors: amounts falling due within one year	12	<u>(13,482,411)</u>	<u>(11,623,898)</u>
Net current assets		<u>3,681,183</u>	<u>3,490,713</u>
Net assets		<u>10,322,974</u>	<u>10,247,864</u>
Capital and reserves			
Called up share capital	13	2,400,000	2,400,000
Profit and loss account	14	7,922,974	7,847,864
Shareholders' funds		<u>10,322,974</u>	<u>10,247,864</u>

These financial statements were approved by the board of directors on 27th March 1996 and were signed on its behalf by:


I Kobayashi
Director


RW Bakewell
Director

Mitsui Machinery Sales (UK) Limited

Cash flow statement
for the year ended 31 December 1995

	Note	1995		1994	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	18	4,899,151		(1,572,937)	
Return on investments and servicing of finance					
Interest received		86,122		32,864	
Interest paid		(54,973)		(170,243)	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from returns on investment and servicing of finance		31,149		(137,379)	
Investing activities					
Purchase of tangible fixed assets		(578,497)		(556,101)	
Receipts from sale of tangible fixed assets		230,082		112,616	
		<u> </u>		<u> </u>	
Net cash outflow from investing activities		(348,415)		(443,485)	
Increase/(decrease) in cash and cash equivalents	19	<u>4,581,885</u>		<u>(2,153,801)</u>	

Mitsui Machinery Sales (UK) Limited

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 have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Group accounts have not been prepared as the directors are of the opinion that they would be of no real value to the company's members in view of the insignificant amounts involved for the company's subsidiary. The aggregate amount of total investment of the company in the shares of its subsidiary calculated under the equity method of accounting is £200 (1994: £200).

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:

Buildings	-	2% per annum
Motor vehicles and plant and machinery	-	25% per annum
Office equipment and leased assets	-	25% per annum

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Gains or losses on translation are included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies are translated using 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of consumables the average purchase price is used. This price includes duty and charges payable.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Mitsui Machinery Sales (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Operating leases

Rentals of buildings and equipment are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Rental income from golf car operating leases is recognised on a straight line basis over the period of the lease.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

All turnover arises in the United Kingdom.

2 Profit on ordinary activities before taxation

	1995 £	1994 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>After charging</i>		
Auditors' remuneration:		
- audit	25,000	22,760
- non audit work	4,000	5,200
Depreciation and other amounts written off owned tangible fixed assets	475,028	433,491
Profit on disposal of tangible fixed assets	11,253	9,581
Hire of plant and machinery - rentals payable under operating leases	254,108	234,960
Hire of other assets - operating leases	204,000	236,000
Exchange losses	68,590	15,588
<i>After crediting</i>		
Rents receivable from property	149,600	64,412
Other rentals receivable under operating leases	184,521	129,585

Mitsui Machinery Sales (UK) Limited

Notes (continued)

3 Remuneration of directors

	1995 £	1994 £
Directors' emoluments:		
Remuneration as executives	295,229	233,491
Pensions	6,570	6,566
	<u>301,799</u>	<u>240,057</u>

The emoluments, excluding pension contributions, of the chairman were £Nil (1994: £nil) and those of the highest paid director were £159,206 (1994: £99,664).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid directors) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £5,000	4	3
£60,001 - £65,000	2	2
£95,001 - £100,000	-	1
£155,001 - £160,000	1	-
	<u>1</u>	<u>-</u>

Mitsui Machinery Sales (UK) Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Sales and distribution	63	65
General administration	19	20
	<u>82</u>	<u>85</u>

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£	£
Wages and salaries	1,845,549	1,962,781
Social security costs	126,120	132,551
Other pension costs (see note 17)	206,417	206,220
	<u>2,178,086</u>	<u>2,301,552</u>

5 Other interest receivable and similar income

	1995	1994
	£	£
Bank interest receivable	<u>86,122</u>	<u>32,864</u>

6 Interest payable and similar charges

	1995	1994
	£	£
On bank overdrafts wholly repayable within five years	<u>49,351</u>	<u>172,616</u>

Included in cost of sales is interest of £577,583 (1994: £491,125) payable to group undertakings.

Mitsui Machinery Sales (UK) Limited

Notes (continued)

7 Taxation

No liability for taxation arises due to the availability of tax losses to carry forward of approximately £2.5 million as at 31 December 1995 (1994: £2,838,139).

8 Tangible fixed assets

	Freehold land and buildings	Motor vehicles and plant	Office equipment and leased assets	Total
	£	£	£	£
Cost				
At beginning of year	6,102,813	878,792	770,115	7,751,720
Additions	-	147,468	431,029	578,497
Disposals	-	(181,981)	(257,535)	(439,516)
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At end of year	6,102,813	844,279	943,609	7,890,701
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	191,341	487,170	316,258	994,769
Charge for year	62,056	190,622	222,350	475,028
On disposals	-	(139,882)	(80,805)	(220,687)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	253,397	537,910	457,803	1,249,110
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1995	<u>5,849,416</u>	<u>306,369</u>	<u>485,806</u>	<u>6,641,591</u>
At 31 December 1994	<u>5,911,472</u>	<u>391,622</u>	<u>453,857</u>	<u>6,756,951</u>

The gross value of freehold land and buildings includes £3,102,813 (1994: £3,102,813) of depreciable assets.

The amount of assets held for use in operating leases to third parties is as follows:

	1995 £	1994 £
Cost	662,538	495,878
Accumulated depreciation	<u>(183,144)</u>	<u>(105,978)</u>
Net book value	<u>479,394</u>	<u>389,900</u>

The aggregate rentals receivable during the year in respect of operating leases was: £184,521 (1994: £129,585).

Mitsui Machinery Sales (UK) Limited

Notes (continued)

9 Fixed asset investments

	1995	1994
	£	£
Investment in subsidiary undertakings - 100% ordinary shares	<u>200</u>	<u>200</u>

Name

Tek Europe Limited

This company is registered in England and Wales and has not yet commenced trading.

In the opinion of the directors the investments in, and amounts due from, the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

10 Stocks

	1995	1994
	£	£
Finished goods and goods for resale	8,923,952	8,947,465
Goods in transit	<u>3,084,832</u>	<u>569,500</u>
	<u>12,008,784</u>	<u>9,516,965</u>

11 Debtors

	1995	1994
	£	£
Trade debtors	3,706,822	4,915,432
Other debtors	14,316	257,380
Prepayments and accrued income	<u>237,534</u>	<u>185,329</u>
	<u>3,958,672</u>	<u>5,358,141</u>

12 Creditors: amounts falling due within one year

	1995	1994
	£	£
Bank loans and overdrafts	-	3,625,252
Trade creditors	302,676	304,788
Amounts owed to parent undertaking	9,680,106	3,787,943
Other taxes and social security	75,684	93,816
Other creditors	<u>3,423,945</u>	<u>3,812,099</u>
	<u>13,482,411</u>	<u>11,623,898</u>

Mitsui Machinery Sales (UK) Limited

Notes (continued)

13 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>		
2,400,000 ordinary shares of £1 each	<u>2,400,000</u>	<u>2,400,000</u>

14 Profit and loss account

	1995 £	1994 £
Retained profit brought forward	7,847,864	7,746,035
Profit for the year	<u>75,110</u>	<u>101,829</u>
Retained profit carried forward	<u>7,922,974</u>	<u>7,847,864</u>

15 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit for the financial year	75,110	101,829
Opening shareholders' funds	<u>10,247,864</u>	<u>10,146,035</u>
Closing shareholders' funds	<u>10,322,974</u>	<u>10,247,864</u>

Mitsui Machinery Sales (UK) Limited

Notes (continued)

16 Commitments

Annual operating lease payments in respect of the hire of premises and equipment committed to be made are as follows:

	1995 Land and buildings £	1995 Other £	1994 Land and buildings £	1994 Other £
Operating leases which expire:				
Within one year	-	163,863	-	4,466
In the second to fifth years inclusive	-	35,624	-	229,005
Over five years	204,000	-	204,000	-
	<u>204,000</u>	<u>199,487</u>	<u>204,000</u>	<u>233,471</u>

17 Pension scheme

Employees of the company are eligible for membership of the Mitsui UK Retirement Benefit Plan ("the Plan"), a defined benefit scheme operated by Mitsui & Co UK PLC. The assets of the Plan are held in a separate trustee administered fund.

The Plan's funding level is determined on the basis of triennial valuations by a qualified actuary using the projected unit method. The last finalised valuation by a qualified actuary was at 1 October 1992. A revised valuation has been carried out as at 1 October 1995, but has not yet been finalised. The market value of the assets of the Plan amounted to £10,747,092 at 1 October 1992, as finalised on 25 May 1993, and the actuarial value of these assets was sufficient to secure 120% of the liabilities of the Plan based on projected final pensionable salaries. The main actuarial assumptions were an investment rate of return of 9% per annum, an increase in salaries of 7.5% per annum, dividend growth on equities of 4.5% per annum and that all present and future pensions would increase by 4% per annum.

The pension cost for accounting purposes has been assessed using the Projected Unit Method and the same actuarial assumptions as applied in the most recent valuation of the Plan, except that the assumption relating to salary increases has been changed from 7.5% p.a. to 7% p.a.

The company has been contributing at the rate of 7.3% of pensionable salaries.

The pension cost for the year charged to the profit and loss account was £206,000 (1994: £206,220) after deduction of the amortisation of the experience surplus of £57,000 (1994: £57,000).

At 31 December 1995 provisions include £211,000 (1994: £105,000) representing the difference between the pension cost charged to the profit and loss account and the actual contributions paid.

Mitsui Machinery Sales (UK) Limited

Notes (continued)

18 Reconciliation of operating profit to net cash outflow from operating activities

	1995 £	1994 £
Operating profit	38,339	241,581
Depreciation charge	475,028	433,491
(Profit) on sale of tangible fixed assets	(11,253)	(9,581)
(Increase)/decrease in stocks	(2,491,819)	5,800,562
Decrease/(increase) in debtors	1,399,469	(2,546,070)
Increase/(decrease) in creditors	5,489,387	(5,492,920)
Net cash inflow/(outflow) from operating activities	<u>4,899,151</u>	<u>(1,572,937)</u>

19 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft and short term loan £	Net £
Balance at 31 December 1994	239,505	(3,625,252)	(3,385,747)
Net cash inflow before adjustments for foreign exchange rate changes	965,790	3,625,252	4,591,042
Effect of foreign exchange rate changes	(9,157)	-	(9,157)
Balance at 31 December 1995	<u>1,196,138</u>	<u>-</u>	<u>1,196,138</u>

	Cash £	Overdraft and short term loan £	Net £
Balance at 31 December 1993	470,424	(1,702,370)	(1,231,946)
Net cash outflow before adjustments for foreign exchange rate changes	(230,417)	(1,922,882)	(2,153,299)
Effect of foreign exchange rate changes	(502)	-	(502)
Balance at 31 December 1994	<u>239,505</u>	<u>(3,625,252)</u>	<u>(3,385,747)</u>

Mitsui Machinery Sales (UK) Limited

Notes *(continued)*

20 Ultimate parent undertaking

The ultimate parent company, which is also the parent undertaking of the only group of undertakings for which group accounts are drawn up, is Mitsui and Co Limited which is incorporated in Japan. Copies of the group accounts are available from 2-1 Ohtemachi 1-Chome, Chiyoda-KU, Tokyo, Japan.