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Hitachi Capital Vehicle Solutions Ltd

Annual report and financial statements
Year ended 31 March 2012

Hitachi Capital Vehicle Solutions Ltd
Registered Office Kiln House, Kiln Road, Newbury, Berkshire RG14 2NU
Registered in Cardiff No 1413993

Annual report and financial statements
Year ended 31 March 2012

Contents

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2012

Business review
The company provides vehicle management solutions for businesses requiring cars and commercial vehicles, as well as a variety of funding options such as contract hire, contract purchase, and personal leasing The company provides a wide range of complementary services including fleet management, full outsourcing, daily rental and employee car schemes The company also provides advice regarding health and safety and fleet environmental impact

The results for the year are set out in the income statement on page 8 The volume of new business written during the year was £213m (2011 £184m) During the year the company has continued to concentrate on gaining corporate business whilst minimising its retail operation The 2011/12 profit before tax of £14 0m was £2 6m (23%) up on the 2010/11 result of £11 4m Commercial vehicles were again a major source of growth with additional business being gained from Centrica, Apetito, Sainburys Southern Water, RAC and Asda The company has continued to develop its proposition to the driving instructor industry and has developed its supply for the corporate style accounts such as Driving Results Limited which trades as RED Driving School

The company intends to continue to focus on the specialist commercial vehicle and corporate contract hire markets and to add value to the customer proposition by offering additional complementary products and services The company will continue to develop its proposition to the driver instructor market The company anticipates that 2012 will be a challenging trading environment for vehicle funders, the outcome of which will be dependent upon how volatile the used vehicle market is during the year However, the company believes that it is well-placed, thanks to its investment in people and systems, to deliver market-leading service levels and, consequently, to retain and win business

The company has set-out the following vision "To be the UK's leading independent Vehicle Management Company Customer focused, delivering innovative and sustainable solutions, valuing our people and operating with integrity"

The company utilises the Hitachi Group INSPIRE values (Inspirational, Naturally Driven, Supportive, Proactive, Integrity (acts with), Reliable, Expert) and each member of staff is reviewed on their demonstration of these as well as individual objectives

The company expects high standards of professional and ethical conduct from all of its employees, its business partners and any agents working on behalf of the company

The company believes that to succeed it has to attract, develop and retain high quality staff

The company complies with all its health and safety obligations and has invested, for instance, in advanced driver training for high-risk drivers

The company both offers and expects service level agreements with customers and suppliers The company aims, at all times, to conduct its business ethically and transparently

The company has an environmental committee that meets regularly to consider initiatives for promoting environmental change Employees are actively encouraged to recycle, to share lifts to work and to use resources economically Non-essential travel is discouraged and the company has video-conference facilities between the company's locations to reduce travel

Principal risks and uncertainties
The directors are responsible for ensuring that appropriate mechanisms are in place to identify, evaluate and manage the risks which could prevent the company from achieving its objectives

The key business risks facing the company are

Credit risk – This is the risk that customers and other counterparties will not meet their financial obligations, resulting in the loss of amounts due or any unrealised gains

Residual value risk – This is the risk that the value of a physical asset, at the end of an operating lease contract or at the end of its useful life, is worth less than its book value

Liquidity risk – This is the risk that funding will not be available in a timely manner when required to finance new business

Operational risk – This is the risk of loss resulting from a breakdown in internal control systems, which are designed to prevent and detect fraud and error

Financial reporting risk – This is the risk that due to a breakdown in internal control or fraud the financial statements are materially misstated, leading to a breakdown in stakeholder confidence

Market risk – This is the risk that the company will be unable to compete effectively due to aggressive external competition or the failure to innovate

Risk of economic downturn – A significant increase in unemployment could give rise to increased credit risk while a significant increase in interest rates would increase funding costs, increase credit risk and lower market demand

Compliance and regulatory risk – This is the risk that changes in the regulatory framework within which we operate could reduce our ability to conduct business profitably in the future There is also the risk that we fail to comply with legislation or regulations, leading to penalties imposed on us by the regulators

Business continuity risk – This is the risk that a disaster or other unexpected event occurs, leading to an inability to conduct business under the terms agreed with our customers or suppliers Such an event could have a negative impact on business relationships and lead to financial loss

Financial risk management is detailed in note 21

Internal control

The directors are responsible for the company's system of internal control and for reviewing its effectiveness The system of internal control includes controls designed to safeguard assets against unauthorised use, to maintain proper accounting records and to ensure the reliability of financial information The system of internal control is designed to manage, but not necessarily eliminate, the risk of failure to achieve business objectives and can provide only reasonable rather than absolute assurance against material misstatement, loss or fraud

The board confirms that there is an appropriate ongoing process for identifying, evaluating and managing the significant risks faced by the company This is part of the group process and details are disclosed in the financial statements of Hitachi Capital (UK) PLC

Donations

During the year the company gave £nil (2011 £1,700) for charitable purposes as all donations are now dealt with at group level by way of matched (£1 for £1) funding to supplement amounts donated by employees through the group's Give As You Earn scheme and through fundraising events No political donations were made during the year

Policy on payment of creditors

The company's policy is to settle the terms of payment with suppliers, and ensure that suppliers are made aware of them, when agreeing the terms of each transaction and to abide by the terms of payment subject to satisfactory performance by the supplier

Trade creditor days for the company, based on the ratio of the amount owed to trade creditors at the year end to total amounts invoiced by suppliers during the year, were 14 (2011 10)

Employees

The board is conscious that the company's ability to succeed is driven by the need to attract, develop and retain the right employees Our employee relations policy is designed to encourage an atmosphere of trust and harmony across the organisation and the company is committed to the personal development of its employees

The company is committed to regular and timely communication to staff of information on matters of concern to them as employees, including both briefings and written communications The company has an intranet site which acts as the main reference point in the provision of a wide variety of information to employees Staff briefings are held at the various sites to disseminate key information and regular team and one to one meetings are encouraged During the year the company has maintained the arrangements aimed at ensuring that employees' views can be taken into account in making decisions which are likely to affect their interests Employee representatives are elected as and when necessary to meet the company's consultation requirements The company runs an annual employee survey which allows staff to provide feedback on a variety of issues within the business including pay and remuneration, communication and performance management mechanisms The company also runs an annual internal customer services survey which allows employees to feed back to other areas of the business on their performance and service levels

The company operates an annual bonus scheme for all staff levels where over 50% of bonus potential is based on the company and individual business unit financial performance thereby encouraging the involvement of all employees in the company's performance Regular updates on performance ensure that all employees are aware of the financial and economic factors affecting the company's performance

The company operates an equal opportunities policy and opposes all forms of unlawful discrimination on the grounds of sex, marital status, sexual orientation, disability, race, creed, colour, nationality, religion, age, or any other personal characteristics The company's selection criteria and procedures will ensure that individuals are treated on the basis of their abilities so that all employees are given equal opportunity to progress within the company The company's policy and practice is to encourage the recruitment, training, career development and promotion of disabled persons having regard to their particular aptitudes and abilities and to retain and re-train employees who become disabled whilst in the employment of the company

Environment
The company has an environmental policy and acknowledges that environmental considerations form an integral part of its corporate social responsibility The environment committee meets to discuss ways in which the business can both contribute more to its local environment by getting involved in local initiatives and also to look at ways of promoting environmental well being amongst the staff on each site The key focus of the committee has been on recycling, conservation projects, awareness campaigns and reducing CO_2 emissions particularly within the company's own, and its customers', vehicle fleets Employees are actively encouraged to ensure conservation of energy and resources through awareness campaigns and positive action groups

Directors
The directors who served during the year and to the date of this report were

S Oliphant
J Lawes
C Shirai
R D Gordon
Y Ohashi

C Shirai, S C Oliphant, R D Gordon and Y Ohashi are directors of the immediate holding company Hitachi Capital (UK) PLC

No director had a beneficial interest in the share capital of the company or any company in the group during the year

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements The directors are required to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRS's), as adopted by the European Union, and ensure that such financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation

IAS 1 requires that financial statements present for each financial year the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS's

The directors are also required to

- properly select and apply accounting policies in accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors) and then applying them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS's is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's position and financial performance,
- prepare the financial statements on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intend to liquidate the entity or to cease trading, or have no realistic alternative but to do so, and
- state that the company has complied with IFRS's

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 2006

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the 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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Going concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 3 The company is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in its parent company's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent Hitachi Capital (UK) PLC to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Hitachi Capital (UK) PLC, the company directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus we continue to adopt the going concern basis of accounting in preparing the annual financial statements

Auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

S Oliphant

Director

Independent auditor's report to the members of Hitachi Capital Vehicle Solutions Ltd

We have audited the financial statements of Hitachi Capital Vehicle Solutions Ltd for the year ended 31 March 2012 which comprise the income statement, statement of financial position, statement of changes in equity, statement of cash flows and the related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 explained more fully in the Statement of Directors' Responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS's as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date 30 May 2012

Annual report and financial statements
Year ended 31 March 2012

Income statement
For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Revenue	3	**161,449**	133,859
Finance costs	4	**(5,480)**	(5,527)
Depreciation on operating leased assets	9	**(89,241)**	(73,862)
Maintenance expense on contract hire vehicles		**(27,721)**	(22,134)
Other cost of sales		**(1,664)**	(409)
Cost of sales		**(124,106)**	(101,932)
Gross profit		**37,343**	31,927
Bad debts impairment charge		**(1,292)**	(415)
Administrative expenses		**(22,037)**	(20,062)
		(23,329)	(20,477)
Profit before tax		**14,014**	11,450
Income tax	7	**(2,156)**	(3,032)
Profit after tax		**11,858**	8,418

Registered Company Number: 1413993
Statement of financial position
As at 31 March 2012

	Note	2012 £'000	2011 £'000
Assets			
Non current assets			
Intangible assets	10	**7,745**	7,999
Property, plant and equipment	9	**360,601**	315,460
Loans and receivables	11	**340**	449
		368,686	323,908
Current assets			
Loans and receivables	11	**273**	624
Inventories	12	**6,066**	11,736
Trade receivables and other assets	13	**20,463**	22,222
Current tax asset		**1,605**	-
Cash and cash equivalents	14	**5,789**	59
		34,196	34,641
Total assets		**402,882**	358,549
Equity and liabilities			
Equity and reserves attributable to equity holders			
Share capital	15	**1,700**	1,700
Retained earnings		**48,948**	39,433
Total equity		**50,648**	41,133
Non current liabilities			
Amounts owed to parent undertaking		**286,348**	246,371
Deferred tax liability	8	**11,966**	8,059
		298,314	254,430
Current liabilities			
Current tax liability		-	938
Trade and other payables	18	**53,920**	62,048
		53,920	62,986
Total liabilities		**352,234**	317,416
Total equity and liabilities		**402,882**	358,549

The financial statements were approved by the board, authorised for issue on 29/05/ 2012 and signed on its behalf by

S Oliphant

Director

Statement of changes in equity
For the year ended 31 March 2012

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 31 March 2010		**1,700**	**33,528**	**35,228**
Profit for the period		-	8,418	8,418
Dividends	16	-	(2,513)	(2,513)
At 31 March 2011		**1,700**	**39,433**	**41,133**
Profit for the period		-	11,858	11,858
Dividends	16	-	(2,343)	(2,343)
At 31 March 2012		**1,700**	**48,948**	**50,648**

Statement of cash flows

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Operating activities.			
Profit before tax		**14,014**	11,450
Non cash adjustment to reconcile profit before tax to net cash flows			
Depreciation and impairment of property, plant and equipment	9	**641**	429
Depreciation and impairment of operating leased assets including impairment for returned vehicles	9	**91,133**	76,255
Amortisation and impairment of intangible assets	10	**364**	1,788
Gain on disposal of operating leases and other property, plant and equipment		**(1,433)**	(3,245)
Working capital adjustments			
Decrease/(increase) in receivables		**2,219**	(5,170)
Increase in payables		**31,849**	64,171
Decrease/(increase) in inventories excluding impairment		**5,494**	(5,873)
Income tax paid		**(792)**	(1,772)
Net cash flows derived from operating activities		**143,489**	138,033
Investing activities:			
Purchase of property, plant and equipment			
Operating leased assets	9	**(198,391)**	(194,979)
Other property, plant and equipment	9	**(2,709)**	(1,230)
Capitalised software development costs	10	**(110)**	(623)
Proceeds from sale of property, plant and equipment			
Operating leased assets		**65,794**	60,296
Net cash flows used in investing activities		**(135,416)**	(136,536)
Financing activities			
Dividends paid to shareholders	16	**(2,343)**	(2,513)
Net cash flows (used in) financing activities		**(2,343)**	(2,513)
Net increase/(decrease) in cash and bank overdrafts		**5,730**	(1,016)
Cash and bank overdrafts at beginning of year		**59**	1,075
Cash and bank overdrafts at end of year		**5,789**	59
Current assets – cash and cash equivalents		**5,789**	59
Cash and bank overdrafts at end of year		**5,789**	59

Notes to the financial statements

For the year ended 31 March 2012

1 General information

Hitachi Capital Vehicle Solutions Ltd is a limited company incorporated in the United Kingdom The address of the registered office is given at the end of this report The nature of the company's operations and its principal activities are set out on page 3 The company's directors are of the opinion that the financial statements present fairly the financial position, financial performance and cash flows for the year ended 31 March 2012 The company's immediate parent undertaking is Hitachi Capital (UK) PLC, incorporated in England and Wales Hitachi Capital (UK) PLC is ultimately owned by Hitachi Limited, incorporated in Japan

2 Accounting policies

2 1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applied in accordance with the Companies Act 2006 The financial statements have been prepared in accordance with the going concern principle under the historical cost basis

2 2 Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes

Lease income

Amounts due from lessees under finance lease or hire purchase agreements are recorded as receivables at the amount of the company's net investment in the leases Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease

b) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement

Company as a lessor

Lease and hire purchase agreements are classified as finance leases whenever the terms of the agreement transfer substantially all the risks and benefits of ownership to the lessee All other leases are classified as operating leases

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income

Company as a lessee

Operating lease payments are recognised as an administrative expense in the income statement on a straight line basis over the lease term

(c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Notes to the financial statements
For the year ended 31 March 2012

2 2 Summary of significant accounting policies (cont'd)

Deferred tax (cont'd)
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity

Deferred tax assets and deferred tax liabilities are offset where possible

(d) Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any Such cost includes expenditure directly attributable to the acquisition of property and equipment Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the company and the cost can be measured reliably Maintenance and repairs, which do not meet these criteria, are charged against income as incurred

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows
- Freehold buildings — 50 years
- Leasehold improvements — Remaining term of the lease
- Fixtures, fittings and computer equipment — 1 to 4 years
- Motor vehicles — 3 to 6 years
- Operating leased assets — Term of the lease

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised

The assets' residual values, useful lives and methods of depreciation are reviewed at least annually and adjusted prospectively, if appropriate Where the company has an interest in the residual value of certain operating leased assets, these values are reviewed on a regular basis and, where necessary, any variance from the exposure recognised by the company charged or credited to the income statement over the remaining lives of the operating leases of the assets concerned

(e) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses

Acquired intangible assets are amortised over their useful economic life, except in the case of acquired goodwill which is considered to have an indefinite useful economic life, and assessed for impairment whenever there is an indication that the intangible asset may be impaired The amortisation period and the amortisation method for an acquired intangible asset is reviewed at least annually The amortisation expense on acquired intangible assets is recognised in the income statement

An internally generated intangible asset arising from the company's software development projects is recognised only if all of the following conditions are met
- An asset is created that can be separately identified, and
- It is probable that the asset created will generate future economic benefits, and
- The development cost of the asset can be reliably measured

Notes to the financial statements

For the year ended 31 March 2012

2 2 Summary of significant accounting policies (cont'd)

(e) Intangible assets (cont'd)
Internally generated software development assets are amortised on a straight line basis over their useful lives, determined to be four years The amortisation period and amortisation method are reviewed at least annually Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period At each reporting date, the company reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any Irrespective of whether there is any indication of impairment, the company also tests the recoverable amount of intangible assets not yet available for use at least annually

Any gains or losses arising from the derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised

(f) Financial assets
Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets, as appropriate The company determines the classification of its financial assets at initial recognition

All financial assets are recognised on the trade date initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss

Subsequent to initial recognition, investments in subsidiaries are measured at cost

Loans and receivables
Trade receivables, instalment finance agreements and other loans and advances that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables Loans and receivables are measured at amortised cost using the effective interest rate method less impairment Interest is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial

Amounts included in the statement of financial position under loans and receivables that represent amounts due from lessees under finance lease/hire purchase agreements are recognised in accordance with the company's accounting policy on leases

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset

Impairment of financial assets
Financial assets other than those at fair value through the profit and loss are assessed for indicators of impairment at each quarter end

For finance leases, hire purchase agreements and other loans and advances, the allowance for impairment losses is determined on an individual basis by reference to past default experience and other recoverability information relating to the specific loan or other receivable Recoverable amounts are assessed with reference to the expected future cash flows on the loan arrangements

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the allowance account to the extent the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

Amounts charged to the allowance account are written off against the carrying amount of the impaired financial asset when all avenues to recover the asset have been fully utilised and management deems the possibility of further recovery remote

The company does not renegotiate the terms of financial assets as a matter of course However, when the terms of financial assets that are past due or impaired are renegotiated (by exception only), then the income statement is charged with the write down of the asset to its revised carrying value, and any previous provision made against the asset released to the income statement

Notes to the financial statements

For the year ended 31 March 2012

2 2 Summary of significant accounting policies (cont'd)

(g) Inventories
Inventories are valued at the lower of cost and net realisable value Inventories represent assets that have come off a lease arrangement pending disposal Net realisable value takes into account prevailing market values and cost of sale

(h) Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation The expense relating to any provision is presented in the income statement net of any reimbursement

(i) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position and disclosed in the statement of cash flows comprise cash at banks and on hand and short term deposits with a maturity of three months or less

(j) Impairment of non financial assets
The company assesses at least annually whether there is an indication that an asset may be impaired If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount An asset's recoverable amount, or value in use, is determined for an individual asset or cash generating unit (CGU), unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

The company bases its impairment calculation on detailed budget calculations, which are prepared separately for each of the company's CGU's These budgets generally cover a period of five years, for longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year

Impairment losses are recognised in the income statement

(k) Pension benefits
The company participates in group wide pension schemes, along with other subsidiaries of Hitachi Capital (UK) PLC The company's UK parent undertaking operates a defined benefit pension scheme and a defined contribution pension scheme There is no policy in place for charging the net benefit cost to group entities in the defined benefit scheme The contributions payable by the company are charged to the income statement as incurred, and are estimated as the employer's cost to fund the group scheme The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method which attributes entitlements to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations)

Actuarial gains and losses are recognised, in full, in the group's statement of comprehensive income in the periods in which they arise Contributions to the defined contribution scheme are charged to the income statement in the period to which the contributions relate

(l) Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to form part of the cost of that asset Other borrowing costs are recognised as an expense on an accruals basis

2 3 Changes to standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations below Apart from some additional disclosures in certain cases, their adoption did not have any material impact on the financial performance or position of the company

New and amended standards and interpretations

- IAS 24 Related party disclosures (amendment) effective 1 January 2011
- IFRIC 14 Prepayments of a minimum funding requirement (amendment) effective 1 January 2011
- IFRS 9 Financial Instruments, effective 1 January 2013

Notes to the financial statements
For the year ended 31 March 2012

2.3 Changes to standards and interpretations (cont'd)

Improvements to IFRS's
- IAS 1 Presentation of financial statements
- IAS 27 Consolidated and separate financial statements

2 4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods, key areas are discussed below

Impairment of financial assets
Discussed in note 2 2(f) above

Impairment of non financial assets
Discussed in note 2 2(j) above

Taxes
The company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provision required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned

3. Revenue

	Note	2012 £'000	2011 £'000
From continuing operations·			
Leasing – operating leases		**150,042**	123,272
Leasing – finance leases		**379**	466
Hire purchase agreements		**1**	1
Fees and commissions		**11,027**	10,120
Total revenue		**161,449**	133,859

4 Finance costs

	2012 £'000	2011 £'000
Interest payable to parent undertaking	**5,480**	5,527
Total	**5,480**	5,527

5. Operating profit for the year

Profit for the year has been arrived at after charging

	Note	2012 £'000	2011 £'000
Included in other cost of sales			
Impairment of operating leased assets	9	**1,992**	2,393
Profit on disposal of operating leased assets		**1,448**	3,277
Loss on disposal of tangible assets other than operating leased assets		**15**	32
Included in administrative expenses			
Amortisation of intangible assets	10	**364**	1,788
Depreciation of tangible assets other than operating leased assets	9	**641**	429
Operating lease rentals expense	19	**177**	210

The audit fee is borne by and included in the financial costs of Hitachi Capital (UK) PLC The charge attributable to the Hitachi Capital Vehicles Solutions Ltd is £123k (2011 £111k)

Notes to the financial statements
For the year ended 31 March 2012

6 Employees

Employee benefits expense

	2012 £'000	2011 £'000
Wages and salaries	**9,552**	7,797
Social security costs	**1,035**	803
Pension costs	**432**	413
Total	**11,019**	9,013

Employee numbers
The average number of employees (including executive directors) was

	2012	2011
Management	**27**	36
Administrative	**200**	175
Sales	**32**	26
Total	**259**	237

7 Income tax

The major components of the company's income tax are

	2012 £'000	2011 £'000
Current income tax		
Charge for the year	2,095	2,252
Adjustment in respect of prior years	(3,700)	(2,706)
Total	(1,605)	(454)
Deferred tax		
Origination and reversal of temporary differences in the current year	1,611	754
Effect of corporation tax rate change	(998)	-
Adjustment in respect of prior years	3,148	2,732
Total	3,761	3,486
Tax charge on profit	**2,156**	3,032

The company's income tax charge in the income statement can be reconciled to the profit as follows

	2012 £'000	2011 £'000
Profit before tax	**14,014**	11,449
Tax on profit at UK corporation tax rate of 26% (2011 28%)	**3,644**	3,206
Increase/(decrease) resulting from		
Adjustments in respect of prior years	**(552)**	26
Effect of corporation tax rate change	**(998)**	-
Disallowable expenses and other adjustments	**62**	(200)
Tax charge	**2,156**	3,032

The UK rate of corporation tax reduced from 26% to 24% from 1 April 2012 As a result the net deferred tax on the balance sheet was recalculated at 24%, rather than 26%, as required by IFRS This created a reduction in tax charged in the year through the income statement of £998k

Notes to the financial statements
For the year ended 31 March 2012

8 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method There are no temporary differences in respect of which deferred tax has not been recognised

The deferred tax assets and liabilities have been offset for reporting purposes on the basis that deferred tax predominantly arises in respect of items taxable within the same jurisdiction (UK) and it is expected that a right of set off will exist when the items reverse

The following are the major deferred tax liabilities recognised and movements thereon

	Accelerated capital allowances £'000
At 31 March 2010	4,719
Credit to income statement	3,486
Transfer to rentals in advance	(146)
At 31 March 2011	8,059
Credit to income statement	3,761
Transfer from rentals in advance	146
At 31 March 2012	**11,966**

9. Property, plant and equipment

	Freehold property £'000	Motor vehicles £'000	Fixtures, fittings, computers and leasehold improvements £'000	Operating leased assets £'000	Total £'000
Cost					
At 31 March 2010	355	1,065	2,375	375,800	379,595
Additions	-	882	348	194,979	196,209
Disposals	-	(681)	(1,640)	(116,136)	(118,457)
At 31 March 2011	355	1,266	1,083	454,643	457,347
Additions	-	1,067	1,642	198,391	201,100
Disposals	-	(380)	(103)	(128,734)	(129,217)
At 31 March 2012	**355**	**1,953**	**2,622**	**524,300**	**529,230**
Accumulated depreciation and impairment					
At 31 March 2010	26	508	1,960	124,115	126,609
Charge for the year	5	216	208	73,862	74,291
Impairment loss	-	-	-	2,393	2,393
Eliminated on disposals	-	(391)	(1,608)	(59,407)	(61,406)
At 31 March 2011	31	333	560	140,963	141,887
Charge for the year	5	342	294	89,241	89,882
Impairment loss	-	-	-	1,992	1,992
Impairment release	-	-	-	(100)	(100)
Eliminated on disposals	-	(131)	(88)	(64,813)	(65,032)
At 31 March 2012	**36**	**544**	**766**	**167,283**	**168,629**
Carrying amount					
At 31 March 2011	324	933	523	313,680	315,460
At 31 March 2012	**319**	**1,409**	**1,856**	**357,017**	**360,601**

The impairment loss recognised in operating leased assets in the financial year ended 31 March 2012 is mainly as a result of the fall in used car prices

Notes to the financial statements

For the year ended 31 March 2012

9. Property, plant and equipment (cont'd)

The company tests annually for any impairment on operating leased asset residual values Any impairment loss/gain is calculated by reference to the value in use of the operating leased assets The key assumptions used in determining the value in use are the discount rate, disposal performance over market guides and costs of disposal

At 31 March 2012, the company had entered into contractual commitments for the acquisition of plant and equipment amounting to £31,059,000 (2011 £41,779,000), which is made up predominantly of assets to be leased to customers under operating leases Management has determined that the necessary funding will be available from existing facilities to cover these commitments

10. Intangible assets

	Capitalised software £'000	Goodwill £'000	Customer Relationships £'000	Total £'000
Cost				
At 31 March 2010	3,239	7,108	2,424	12,771
Additions	603	20	-	623
At 31 March 2011	3,842	7,128	2,424	13,394
Additions	110	-	-	110
Impaired	-	-	(2,424)	(2,424)
At 31 March 2012	**3,952**	**7,128**	**-**	**11,080**
Accumulated amortisation				
At 31 March 2010	2,666	-	941	3,607
Charge for the year	305	-	1,483	1,788
At 31 March 2011	2,971	-	2,424	5,395
Charge for the year	364	-	-	364
Impaired	-	-	(2,424)	(2,424)
At 31 March 2012	**3,335**	**-**	**-**	**3,335**
Carrying amount				
At 31 March 2011	871	7,128	-	7,999
At 31 March 2012	**617**	**7,128**	**-**	**7,745**

The amortisation charge relating to software development and other intangibles is included in the administrative expense line of the income statement

Impairment testing

The recoverable amount for each cash generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three year period The pre-tax discount rates applied to cash flow projections are made for a five year period and cash flows beyond the three year budget were extrapolated using a 2 8% growth rate (2011 2 9%)

Impairment is determined when the discount rate is above 20 4%

The key assumptions used in the calculation of value in use were budget assumptions and growth rate used to extrapolate cash flows beyond the budget period and discount rate The budgets for each cash generating unit are representative of operational and financial aspects that relate to that unit and include past experience, default rates, impairment implications and market conditions prevailing at the time These budgets are approved by senior management and the parent company The growth rate used to extrapolate cash flows beyond the budget period has been based on the long term growth rate of the economy An internal rate of return method was used in the calculation of value in use, which resulted in returns in excess of the parent company's minimum expectations

A 1% decrease in the growth rate assumption would lead to impairment being determined when the discount rate is above 20 1% whilst a 1% increase in the growth rate assumption would lead to impairment being determined when the discount rate is above 20 6% Management has determined that any reasonably possible change in the key assumptions would not cause the carrying amount of the cash generating unit to materially exceed its recoverable amount

Notes to the financial statements
For the year ended 31 March 2012

11. Loans and receivables

The present value of the company's loans and receivables are analysed by residual maturity as follows

				2012			
Amounts due in	**<1 year**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**>5 yrs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross loans and receivables	335	85	85	85	85	-	675
Deferred revenue	(10)	-	-	-	-	-	(10)
Allowance for impairment losses	(52)	-	-	-	-	-	(52)
Present value of loans and receivables	**273**	**85**	**85**	**85**	**85**	**-**	**613**

				2011			
Amounts due in	<1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5 yrs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross loans and receivables	736	123	85	85	85	85	1,199
Deferred revenue	(43)	-	-	-	-	-	(43)
Allowance for impairment losses	(69)	(6)	(6)	(2)	-	-	(83)
Present value of loans and receivables	624	117	79	83	85	85	1,073

The unguaranteed residual value of assets leased under finance leases by the company at the reporting date is £5,000 (2011 £231,000)

The average term is 6 months (2011 5 months)

The interest rate in all of the loans and receivables is fixed at the contract date for all of the lease term These balances are therefore subject to fair value interest rate risk

The weighted average effective interest rate of loans and receivables is 1 5% (2011 3 7%)

12. Inventories

	2012	2011
	£'000	£'000
Parts stock	**59**	188
Vehicles not yet on leasing agreements	**150**	1,666
Motor vehicles for resale	**5,857**	9,882
Total	**6,066**	11,736

13 Trade receivables and other assets

	2012	2011
	£'000	£'000
Trade debtors	**14,632**	17,837
Prepayments	**4,004**	3,178
Other debtors	**1,827**	1,207
Total	**20,463**	22,222

14 Cash and cash equivalents and overdrafts

Cash and cash equivalents and overdrafts held by the company all have an original maturity of three months or less The carrying amount approximates their fair value

Notes to the financial statements

For the year ended 31 March 2012

15 Share capital

The company has one class of ordinary shares, which carry no right to fixed income

	2012 £'000	2011 £'000
Authorised		
5,000,000 ordinary shares at £1 each (2010 5,000,000)	**5,000**	5,000
Issued and fully paid		
1,700,000 ordinary shares at £1 each (2010 1,700,000)	**1,700**	1,700

16 Dividends paid and proposed

	2012 £'000	2011 £'000
Declared and paid during the year		
Final dividend for the year ended 31 March 2011 of 79 65p per share (2010 78 94p)	**1,354**	1,342
Interim dividend for the year ended 31 March 2012 of 58 18p per share (2011 68 9p)	**989**	1,171
	2,343	2,513
Proposed for approval at the Annual General Meeting (not recognised as a liability as at 31 March)		
Final dividend for the year ended 31 March 2012 of 149 29p per share (2011 79 65p)	**2,538**	1,354

17. Retirement benefit pension schemes

Defined contribution pension scheme

The company is a member of a Group defined contribution retirement benefit scheme for all qualifying employees The assets of the scheme are held separately from those of the Group in an independently administered fund

The total cost charged to the income statement of £256,877 (2011 £185,683) represents contributions payable to the scheme at rates specified in the rules of the plan There were no unpaid contributions at either 31 March 2012 or 31 March 2011

Defined benefit pension scheme

The company is also a member of a Group funded pension scheme providing benefits based on final pensionable earnings The scheme is set up under trust and the assets are therefore held separately from the Group and invested by a specialist manager Under the scheme the employees are entitled to retirement benefits of up to 66% of final pensionable earnings based on their number of years service, on reaching a normal retirement age of 65 No other post retirement benefits are provided

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee Benefits' the scheme has been accounted for, in the financial statements as if the scheme was a defined contribution scheme

The contribution for the year was £175,324 (2011 £227,236) The contribution rate during the year was 25 2% of pensionable earnings The unpaid contributions outstanding at the year end are £Nil (2010 £Nil)

The scheme was closed to new entrants from 31 March 2002 and a defined contribution stakeholder scheme is provided to new entrants

Details of the defined benefit scheme are disclosed in the financial statements of Hitachi Capital (UK) PLC

18 Trade and other payables and other liabilities

	2012 £'000	2011 £'000
Current (trade and other payables)		
Trade creditors and accruals	**16,280**	23,643
Other creditors	**4,893**	8,436
Deferred income	**32,747**	29,969
Total	**53,920**	62,048

Notes to the financial statements
For the year ended 31 March 2012

18 Trade and other payables and other liabilities (con'td)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 14 days (2011 10 days)

19 Operating lease arrangements

Lessee activities
The following disclosures relate to the activities of the company where it acts as lessee

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised in the income statement during the year		
Plant and equipment	**17**	7
Land and buildings	**160**	203
Total	**177**	210

At the reporting date the company had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows

	2012 £'000	2011 £'000
Within 1 year	**353**	331
More than 1 year but less than 5	**1,077**	1,286
Over 5 years	**950**	1,232
Total	**2,380**	2,849

Operating lease payments represent rentals payable by the company for certain of its office properties Leases are negotiated for an average term of two to ten years

Lessor activities
The following disclosures relate to the activities of the company where it acts as lessor

Operating lease rental income on motor vehicles forms a significant part of the company's business and during the year amounted to £150,042,000 (2011 £123,272,000)

Operating lease contracts are entered into for an average term of 39 months (2011 36 months)

At the reporting date the company had contracted with lessees for the following future minimum lease payments

	2012 £'000	2011 £'000
Within 1 year	**114,174**	105,650
More than 1 year but less than 5	**139,176**	115,110
Over 5 years	**1,462**	1,451
Total	**254,812**	222,211

Notes to the financial statements
For the year ended 31 March 2012

20. Related party disclosures

Transactions

During the year the company entered into the following transactions with related parties

		Operating lease rentals received 2012 £'000	Operating lease rentals received 2011 £'000	Trade Debtor at 31 March 2012 £'000	Trade Debtor at 31 March 2011 £'000
Hitachi Europe Ltd	Subsidiary of HCC	**116**	126	**10**	1
Hitachi High-Technologies Corporation	Subsidiary of HCC	**47**	58	**1**	-
Maxell Europe Ltd	Subsidiary of HCC	**89**	86	**10**	7
Hitachi Automotive Systems Europe	Subsidiary of HCC	**33**	46	**1**	2
Hitachi Transport System B V	Subsidiary of HCC	**6**	13	**-**	-
Hitachi Power Tools (UK) Ltd	Subsidiary of HCC	**41**	100	**-**	6
Hitachi Capital (UK) PLC	Immediate Parent	**319**	299	**8**	7
Total		**651**	728	**30**	23

HCC – Hitachi Capital Corporation, the parent company of Hitachi Capital (UK) PLC
The balances are secured against the assets to which they relate

Remuneration of key management personnel
The remuneration of the executive directors, who are the key management personnel of the group, is set out below

	2012 £'000	2011 £'000
Short term employee benefits	**808**	320
Post employment benefits	**29**	65
Total	**837**	385
Aggregate amount of remuneration paid to the directors	**808**	320
Highest paid director's remuneration in the year	**564**	189

There are two directors for whom retirement benefits are accruing under the group's defined benefit scheme The post employment benefits above relate to the aggregate value of company contributions paid to the pension scheme on behalf of the directors

C Shirai, R D Gordon and Y Ohashi are also directors of the immediate holding company and fellow subsidiaries Those directors received total remuneration for the year of £1,228,000 (2011 £1,547,000), all of which was paid by the immediate holding company This includes amounts receivable under long term incentive plans of £253,000 which includes S Oliphant who is also a director of the immediate holding company but is paid by the company The directors do not believe that it is practicable to apportion the total remuneration between their services as directors of the company and their services as directors of the immediate holding and fellow subsidiary companies

Consultancy fees of £6,000 (2011 £29,000) were paid to Could You Just during the year, by the company and other members of the group, for work in connection with software development Mrs S Oliphant has a controlling interest in Could You Just and is therefore a connected party The transactions were entered into at arms length and there is no balance outstanding at the year end (2011 £6,000)

Notes to the financial statements
For the year ended 31 March 2012

21 Financial risk management

The company manages its risks in accordance with policies approved by the Board, and where applicable, in line with the policies of its parent company, Hitachi Capital (UK) PLC

Liquidity risk
The company's funding is provided by its parent company Hitachi Capital (UK) PLC which performs the treasury function for the group The group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings with a range of maturities The term of each borrowing is determined by considering the market conditions of each of the group's debt instruments, funding cost and correlation with the group's receivables Uncommitted and overdraft facilities provide short term financing if required Further details of the group's liquidity risk are provided in the financial statements of the parent company

Credit risk
This is the risk that customers and other counterparties will not meet their financial obligations, resulting in the loss of amounts due or any unrealised gains

Credit risk is managed to minimise losses, maximise recoveries and prevent fraud through implementation of the company's credit policy The policy requires consideration to be given to the financial and credit status of the customer, dealer, supplier and/or vendor (including retailers and brokers), the quality of the asset being financed and the terms and conditions which are to be applied

Compliance with the requirements of the policy is achieved by the existence of procedures in the areas of maximum funding periods and loan amounts, the requirement for deposits, deferral periods and authorisation limits Customer scorecards and credit files, for commercial transactions and significant relationships, are an integral part of the approval process, with any material changes and significant advances requiring director and/or Board approval

Where the exposure to any one party exceeds certain limits, annual reviews are performed to ensure that the credit quality has not deteriorated

The company's credit risk is primarily attributable to its loans and receivables The company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers

Credit Quality

	2012 £'000	2011 £'000
Trade debtors·		
Neither past due nor impaired (ungraded)	9,922	11,710
Past due but not impaired		
31-60 days	2,124	2,833
61-90 days	838	936
91-120 days	53	965
>120 days	14	183
Total	3,029	4,917
Individually impaired	1,681	1,210
Total	**14,632**	**17,837**

Residual value risk
This is the risk that the value of a physical asset, at the end of an operating or finance lease contract or at the end of its useful life, is worth less than its book value The company's residual value committee meets regularly to review residual values and a formal test for any impairment of operating leased asset residual values is performed at a minimum of annually See note 9

Future residual values are assessed individually, and positioned against competitor benchmark assets, and require senior management approval The residual value position is monitored with reference to various industry benchmarking sources so that maturities can be managed effectively and any impairment risk minimised

Notes to the financial statements
For the year ended 31 March 2012

21 Financial risk management (cont'd)

Compliance and regulatory risk
This is the risk that changes in the regulatory framework within which we operate could reduce our ability to conduct business profitably in the future There is also the risk that the company fails to comply with legislation or regulations, leading to penalties imposed by the regulators

The company's written risk policy does not tolerate any breach of regulation or other illegal activity The company has an in-house legal department staffed by experienced practising solicitors who provide legal and compliance advice in order to mitigate the risk of relevant regulatory requirements being breached Also, the company is a member of the Finance & Leasing Association, which provides early warnings of potential legislative changes and actively lobbies decision makers in both the UK and the EU, with the aim of ensuring that its members continue to operate in an appropriate regulatory environment

Business continuity risk
This is the risk that a disaster or other unexpected event occurs, leading to an inability to conduct our business under the terms agreed with our customers or suppliers Such an event could have a negative impact on business relationships and lead to financial loss The company has business continuity plans in place for each department including a disaster recovery site which can be used if our offices cannot be accessed These plans are reviewed and tested every six months

Company information

Hitachi Capital (UK) PLC, a company registered in England and Wales, is the parent undertaking of the smallest group to consolidate the financial statements of Hitachi Capital Vehicle Solutions Ltd Copies of the financial statements of this company can be obtained from Wallbrook Business Centre, Green Lane, Hounslow, Middlesex TW4 6NW

Hitachi Limited, a company incorporated in Japan, is the ultimate parent company and the parent undertaking of the largest group to consolidate the financial statements of Hitachi Capital Vehicle Solutions Ltd Copies of the financial statements of this company can be obtained from 6, Kanda-Surugadai 4-crome, Minato-ku, Tokyo 101-8010, Japan

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Company Secretary	J N M Sims
Auditors	Ernst & Young LLP Bristol

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