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Hitachi Capital Vehicle Solutions Ltd

Annual report and financial statements
Year ended 31 March 2015

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

Strategic report

The directors present their annual report and audited financial statements for the year ended 31 March 2015.

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 £298.1m (2013/14: £241.7m). Pre-tax return on APE was 4.7% for the year (2013/14: 4.5%). During the year the company has continued to concentrate on gaining corporate business, and has expanded into the SME market. The 2014/15 profit before tax of £21.9m was £1.2m up on the 2013/14 result of £20.7m. Corporate contract hire and commercial vehicles were again a major source of growth with additional business being gained from Centrica, Royal Bank of Scotland, The Environment Agency, Asda, Sainbury's, and Amey. The company has continued to develop its proposition to the driving instructor industry both for driving schools and independent driving instructors.

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 also views the SME market as an important area of growth and is continuing to develop this opportunity. The company seeks to grow both organically and via acquisition in the forthcoming year. The company will continue to develop its proposition to the driver instructor market. The company anticipates that 2015 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 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 is regulated by the Financial Conduct Authority with effect from 1 April 2014 and has successfully achieved interim permission to trade.

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 22.

By order of the board.

S. Oliphant

Director

Directors' report

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 £3,459 (2014: £6,116) for charitable purposes. Most donations are now dealt with at Hitachi Capital (UK) PLC 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 9 (2014: 15).

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 wellbeing 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.C.Oliphant
J. Lawes
C.Shirai
R. D. Gordon
K. Kuchimura
R. Wastell

C. Shirai, S.C. Oliphant, R.D. Gordon, and K. Kuchimura 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 Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they five 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 applying them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

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 Strategic 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 2015 which comprise the income statement, statement of financial position, statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 6, 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 and express an opinion on 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Strategic Report and 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

Andrew McIntyre (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 12/6/15.

Income statement
For the year ended 31 March 2015

	Note	2015 £m	2014 £m
Revenue	3	**324.4**	331.6
Finance costs	4	**(6.6)**	(6.5)
Depreciation on operating leased assets	10	**(136.7)**	(129.8)
Maintenance expense on contract hire vehicles		**(25.9)**	(28.8)
Other cost of sales		**(102.3)**	(115.6)
Cost of sales		**(271.5)**	(280.7)
Gross profit		**52.9**	50.9
Bad debts impairment release		**-**	0.1
Administrative expenses		**(31.0)**	(30.3)
		(31.0)	(30.2)
Profit before tax		**21.9**	20.7
Income tax	8	**(4.4)**	(3.2)
Profit after tax		**17.5**	17.5

Annual report and financial statements
Year ended 31 March 2015

Registered Company Number: 1413993
Statement of financial position
As at 31 March 2015

	Note	2015 £m	2014 £m
Assets:			
Fixed assets:			
Intangible assets	11	**7.1**	7.3
Property, plant and equipment	10	**513.1**	478.7
Loans and receivables	12	**7.7**	6.2
Other assets	14	**1.0**	-
		528.9	492.2
Current assets:			
Loans and receivables	12	**2.1**	1.4
Inventories	13	**10.6**	9.3
Trade receivables and other assets	14	**41.6**	31.7
Cash and cash equivalents	15	**-**	11.5
		54.3	53.9
Total assets		**583.2**	546.1
Equity and liabilities:			
Equity and reserves attributable to equity holders:			
Share capital	16	**1.7**	1.7
Retained earnings		**82.1**	71.3
Total equity		**83.8**	73.0
Creditors falling due after one year:			
Amounts owed to parent undertaking		**401.2**	367.2
Provisions	18	**0.3**	0.2
Deferred tax liability	9	**6.5**	12.9
		408.0	380.3
Creditors falling due within one year:			
Current tax liability		**10.1**	12.0
Provisions	18	**0.3**	0.7
Trade and other payables	20	**81.0**	80.1
		91.4	92.8
Total liabilities		**499.4**	473.1
Total equity and liabilities		**583.2**	546.1

The financial statements were approved by the board, authorised for issue on 2015 and signed on its behalf by:

S. Oliphant

Director

Statement of changes in equity
For the year ended 31 March 2015

	Note	Share capital £m	Retained earnings £m	Total £m
At 31 March 2013		**1.7**	**57.5**	**59.2**
Profit for the period		-	17.5	17.5
Dividends	17	-	(3.7)	(3.7)
At 31 March 2014		**1.7**	**71.3**	**73.0**
Profit for the period		-	17.5	17.5
Dividends	17	-	(6.7)	(6.7)
At 31 March 2015		**1.7**	**82.1**	**83.8**

Notes to the financial statements
For the year ended 31 March 2015

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 and financial performance for the year ended 31 March 2015. 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
These financial statements were prepared in accordance with Financial Reporting Standards (FRS) 101 Reduced Disclosure Framework as issued by the Financial Reporting Council 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.

The Company transitioned from EU-adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101.
The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment, because the share based payment arrangement concerns the instruments of another group entity;
(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j), to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
(c) the requirements of paragraph 33(c) of IFRS 5 Non Current assets Held for Sale and Discontinued Operations;
(d) the requirements of IFRS 7 Financial Instruments: Disclosures;
(e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    (i) paragraph 79(a)(iv) of IAS 1;
    (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    (iii) paragraph 118(e) of IAS 38 'Intangible Assets;
    (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property
    (v) paragraph 50 of IAS 41 Agriculture.
(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(h) the requirements of IAS 7 Statement of Cash Flows;
(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(k) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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.

Fees and commission income
This represents fleet management fees recognised on a straight line basis over the term of the relevant lease and rebates received from suppliers which are accrued on a monthly basis in line with expectation and past experience.

Notes to the financial statements
For the year ended 31 March 2015

2.2 Summary of significant accounting policies (cont'd)

(a) Revenue recognition (cont'd)

Sale of ex-lease assets
Sale proceeds received on disposal of ex-leased assets are recognised in the period in which the sale occurs. The net book value of the asset is charged to cost of sales.

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.

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.

Notes to the financial statements
For the year ended 31 March 2015

2.2 Summary of significant accounting policies (cont'd)

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

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 expected term of the lease
• Fixtures, fittings and computer equipment	1 to 4 years
• Motor vehicles	3 to 6 years

Depreciation of operating leases assets is calculated over the term of the lease using either a straight line basis or reducing balance method depending on which method most accurately reflects the economic usage of individual tranches of assets. The change in depreciation methodology for certain assets to reducing balance has been applied under IFRS and the assets which have a depreciation profile which are closely aligned to the reducing balance method have had their accounting policy changed. Those assets which have not changed to reducing balance have been assessed and it has been concluded that it is appropriate under IFRS to retain a straight line depreciation method.

The reducing balance adjustment applied during the year increased the depreciation charge for the year by £11.1m.

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 by comparing their carrying value with their value in use, 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.

There was a change in the residual value accounting policy adopted during the year as the previous policy was found to be not in compliance with IFRS. The change in policy would usually result in a restatement under IFRS, however, due to the impracticality of allocating the adjustment between historical accounting periods, the adjustment, a release to the income statement of £14.6m, £0.3m of which related to inventories at March 2014, has been made in the current year. The change in policy has been accounted for prospectively and the resulting depreciation calculation has been adjusted in the accounting records prospectively.

The previous residual value accounting policy was to provide fully for the total amount of anticipated losses resulting from the residual value being lower than written down value at the end of the contract term. This was assessed as not compliant with IFRS as changes in the estimate of residual values should be accounted for by adjusting the depreciation over the remaining term of the contract.

(e) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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.

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

Notes to the financial statements

For the year ended 31 March 2015

2.2 Summary of significant accounting policies (cont'd)
(e) Intangible assets (cont'd)

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. The fair values of financial assets are not materially different to their carrying values.

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.

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.

(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 or have been purchased for lease to customers. Net realisable value takes into account prevailing market values and cost of sale.

Notes to the financial statements
For the year ended 31 March 2015

2.2 Summary of significant accounting policies (cont'd)

(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.

(j) Impairment of non financial assets (cont'd)
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 Hitachi Capital (UK) PLC group wide pension schemes. 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 as disclosed in note 2.2 (d). In addition, several other amendments are applicable for the first time during the year.

New and Amended Standards and Interpretations

IFRS 3 Business Combinations – Amendments
The amendments clarify that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). The amendments also clarify that joint arrangements, not just joint ventures, are outside the scope of IFRS 3, and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The change is effective from 1 July 2014 and is applied prospectively. These amendments did not have a material impact on the company.

Notes to the financial statements

For the year ended 31 March 2015

2.3 Changes to standards and interpretations (cont'd)

IFRS 8 Operating Segments – Amendments
The amendments clarify that an entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. It also clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The changes are effective from 1 July 2014 and are applied retrospectively. These amendments did not have a material impact on the company.

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. As the impact of adoption depends on the assets held by the company at the date of adoption, it is not practical to quantify the effect. Phases two and three relating to impairment and hedge accounting are still being developed by the IASB and therefore no assessment can be made on the transitional impact. IFRS 9 does not have a mandatory effective date.

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements.
The amendments introduce a new concept of "an investment entity". It represents a significant change for investment entities, which are currently required to consolidate investees that they control. The amendments are effective for annual periods beginning on or after 1 January 2014 and must be applied retrospectively. These amendments did not have a material impact on the company.

IFRS 13 Fair Value Measurement - Amendments
The amendment clarifies the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). This amendment is effective from 1 July 2014 and is applied prospectively. It does not have a material impact on the company.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 specifies the principles that an entity shall apply to report useful information to users of financial statements about the nature, timing and uncertainly of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards. It is not expected to have a material impact on the company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Amendments
The amendment to IAS 16 and IAS 38 clarifies that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. It also clarifies that accumulated depreciation/ amortization is the difference between the gross and carrying amounts of the asset. The changes are effective from 1 July 2014 and are applied retrospectively. These amendments did not have a material impact on the company.

IAS 24 Related Party Disclosures – Amendments
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The change is effective from 1 July 2014 and is applied retrospectively. These amendments did not have a material impact on the company.

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments
The amendments to IAS 19 clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is effective for annual periods beginning on or after 1 July 2014. The amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. As the impact of adoption depends on the contributions and number of years of service, the effect is not material.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments
These amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The effective date is for annual periods beginning on or after 1 January 2014. As the impact of adoption depends on the assets and liabilities held by the company at the date of adoption, it is not practical to quantify the effect.

Notes to the financial statements
For the year ended 31 March 2015

2.3 Changes to standards and interpretations (cont'd)

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments require the entities to disclose additional information about fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal; as well as the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique.

It is effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. It does not have a material impact on the company.

Improvements to IFRS's
Other amendments relating to the following standards did not have any impact on the accounting policies, financial position or performance of the company:

- IFRS 1 First – time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based Payment
- IFRS 14 Regulatory Deferral Accounts
- IFRIC 21 Levies
- IAS 40 Investment Properties

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	**2015** **£m**	2014 £m
From continuing operations:			
Leasing – operating leases		**195.4**	200.4
Leasing – finance leases		**-**	0.1
Proceeds from disposal of property, plant and equipment		**112.6**	112.9
Fees and commissions		**16.4**	18.2
Total revenue		**324.4**	331.6

4. Finance costs

	2015 **£m**	2014 £m
Interest payable to parent undertaking	**6.6**	6.5
Total	**6.6**	6.5

Notes to the financial statements
For the year ended 31 March 2015

5. Operating profit for the year

Profit for the year has been arrived at after charging:

	Note	2015 £m	2014 £m
Included in other cost of sales:			
Impairment of operating leased assets	10	**(3.5)**	(2.3)
Net book value of operating leased assets disposed		**(105.2)**	(106.7)
Loss on disposal of tangible assets other than operating leased assets		**-**	(0.1)
Included in administrative expenses:			
Amortisation of intangible assets	11	**(0.2)**	(0.3)
Depreciation of tangible assets other than operating leased assets	10	**(1.0)**	(0.4)
Operating lease rentals expense	20	**(0.9)**	(0.9)

The audit fee is borne by and included in the financial costs of Hitachi Capital (UK) PLC.

6. Employees

Employee benefits expense

	2015 £m	2014 £m
Wages and salaries	**12.6**	13.3
Social security costs	**1.5**	1.3
Pension costs	**0.7**	0.6
Total	**14.8**	15.2

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

	2015	2014
Management	**68**	53
Administrative	**242**	259
Sales	**57**	43
Total	**367**	355

7. Remuneration of Directors
The remuneration of the executive directors, who are the key management personnel of the Hitachi Capital Vehicle Solutions Ltd, is set out below.

	2015 £m	2014 £m
Short term employee benefits	**0.8**	0.5
Amounts receivable under long term incentive plans	**0.3**	0.3
Post employment benefits	**0.1**	-
Total	**1.2**	0.8
Aggregate amount of remuneration paid to the directors	**0.8**	0.5
Highest paid director's remuneration in the year	**0.5**	0.5

Notes to the financial statements
For the year ended 31 March 2015

8. Income tax

The major components of the company's income tax are:

	2015 £m	2014 £m
Current income tax:		
Charge for the year	10.2	14.2
Adjustment in respect of prior years	0.6	(2.2)
Total	10.8	12.0
Deferred tax:		
Origination and reversal of temporary differences in the current year	(5.6)	(9.4)
Effect of corporation tax rate change	(0.2)	(1.3)
Adjustment in respect of prior years	(0.6)	1.9
Total	(6.4)	(8.8)
Tax charge on profit	**4.4**	3.2

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

	2015 £m	2014 £m
Profit before tax	**21.9**	20.7
Tax on profit at UK corporation tax rate of 21% (2014: 23%)	**4.6**	4.8
Increase/(decrease) resulting from:		
Adjustments in respect of prior years	-	(0.3)
Effect of corporation tax rate change	**(0.2)**	(1.3)
Tax charge	**4.4**	3.2

Adjustments in respect of prior years are required due to the nature of the Group's business i.e. having a large number of assets qualifying for capital allowances. It is necessary, due to the time constraints, to estimate the allowances available at the time the financial statements are prepared. This is largely due to the availability of 18% and 8% capital allowances on cars dependant upon CO2 emissions.

The UK rate of corporation tax reduced from 23% to 21% from 1 April 2014 and again from 21% to 20% from 1 April 2015. All rates have been enacted. Deferred tax has therefore been provided at 20% at 31 March 2015. Looking at individual categories of deferred tax it was considered at 31 March 2014 that the majority of the deferred tax would crystallise by 31 March 2015. As a result the net deferred tax carried forward on the balance sheet at 31 March 2014 was recalculated at a composite rate of 20.83%. This created a reduction in tax charged in 2014 through the income statement of £1.4m

9. 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 £m
At 31 March 2013	21.7
Charge to income statement	(8.8)
At 31 March 2014	12.9
Charge to income statement	(6.4)
At 31 March 2015	**6.5**

Notes to the financial statements

For the year ended 31 March 2015

10. Property, plant and equipment

	Freehold Property £m	Fixtures, fittings, computers and leasehold improvements £m	Operating leased assets £m	Total £m
Cost				
At 31 March 2014	6.2	2.5	713.5	722.2
Additions	0.3	-	266.3	266.6
Disposals	(0.3)	(0.1)	(203.4)	(203.8)
Transferred	(0.3)	0.3	-	-
At 31 March 2015	**5.9**	**2.7**	**776.4**	**785.0**
Accumulated depreciation and impairment				
At 31 March 2014	0.2	1.1	242.2	243.5
Charge for the year	0.1	0.9	136.7	137.7
Impairment loss	-	-	3.5	3.5
Impairment release	-	-	(14.3)	(14.3)
Eliminated on disposals	(0.2)	(0.1)	(98.2)	(98.5)
At 31 March 2015	**0.1**	**1.9**	**269.9**	**271.9**
Carrying amount				
At 31 March 2014	6.0	1.4	471.3	478.7
At 31 March 2015	**5.8**	**0.8**	**506.5**	**513.1**

The impairment loss recognised in operating leased assets in the financial year ended 31 March 2015 is mainly as a result of volumes of vehicles registered having reached pre-recession levels.

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. The weighted average discount rate used was 7.25% (2014: 7.78%).

At 31 March 2015, the company had entered into contractual commitments for the acquisition of plant and equipment amounting to £64,978,000 (2014: £52,600,000), which is made up predominantly of assets to be leased to customers under operating leases.

11. Intangible assets

	Capitalised software £'000	Goodwill £'000	Total £'000
Cost			
At 31 March 2014	4.1	7.1	11.2
Additions	-	-	-
Disposals	-	-	-
At 31 March 2015	**4.1**	**7.1**	**11.2**
Accumulated amortisation			
At 31 March 2014	3.9	-	3.9
Charge for the year	0.2	-	0.2
Eliminated on disposals	-	-	-
At 31 March 2015	**4.1**	**-**	**4.1**
Carrying amount			
At 31 March 2014	0.2	7.1	7.3
At 31 March 2015	**-**	**7.1**	**7.1**

The amortisation charge relating to software development and other intangibles is included in the administrative expense line of the income statement. The goodwill is in respect of the purchase of The Driving Instructor Solutions business unit.

Notes to the financial statements
For the year ended 31 March 2015

12. Loans and receivables

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

				2015			
Amounts due in	**<1 year**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**>5 yrs**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross loans and receivables	2.7	3.4	3.0	1.9	-	-	11.0
Deferred revenue	(0.6)	(0.4)	(0.2)	-	-	-	(1.2)
Allowance for impairment losses	-	-	-	-	-	-	-
Present value of loans and receivables	**2.1**	**3.0**	**2.8**	**1.9**	**-**	**-**	**9.8**

				2014			
Amounts due in	<1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	>5 yrs	Total
	£m	£m	£m	£m	£m	£m	£m
Gross loans and receivables	1.9	1.9	2.7	2.2	-	-	8.7
Deferred revenue	(0.4)	(0.3)	(0.2)	(0.1)	-	-	(1.0)
Allowance for impairment losses	(0.1)	-	-	-	-	-	(0.1)
Present value of loans and receivables	1.4	1.6	2.5	2.1	-	-	7.6

The unguaranteed residual value of assets leased under finance leases by the company at the reporting date is £3,893,000 (2014: 2,680,000).

The average term is 32 months (2014: 38 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. Fair value adjustments are reflected in the Group financial statements.

The weighted average effective interest rate of loans and receivables is 11.9% (2014: 13.0%).

The value of new finance lease business during the year was £4.5m (2014: £5.3m)

13. Inventories

	2015	2014
	£m	£m
Parts stock	**-**	0.1
Vehicles not yet on leasing agreements	**1.9**	0.1
Motor vehicles for resale	**8.7**	9.1
Total	**10.6**	9.3

14. Trade receivables and other assets

	2015	2014
	£m	£m
Trade debtors	**33.8**	23.2
Prepayments		
Due in 1 year	**4.6**	3.7
Due in more than one year	**1.0**	-
Other debtors	**3.2**	4.8
Total	**42.6**	31.7

Notes to the financial statements
For the year ended 31 March 2015

15. 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.

16. Share capital

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

	2015 £m	2014 £m
Authorised:		
5,000,000 ordinary shares at £1 each (2014: 5,000,000)	**5.0**	5.0
Issued and fully paid		
1,700,000 ordinary shares at £1 each (2014: 1,700,000)	**1.7**	1.7

17. Dividends paid and proposed

	2015 £m	2014 £m
Declared and paid during the year:		
Final dividend for the year ended 31 March 2014 of 223.94p per share (2013: 131.76p)	**3.8**	2.2
Interim dividend for the year ended 31 March 2015 of 168.41p per share (2014: 85.23p)	**2.9**	1.5
	6.7	3.7
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 2015 of 140.06 per share (2014: 223.94p)	**2.4**	3.8

18. Provisions

	Dilapidations £m	Other £m	Total £m
At 31 March 2014			
Current	-	0.7	0.7
Non current	0.2	-	0.2
Total	**0.2**	**0.7**	**0.9**
Arising during the year	0.1	-	0.1
Utilised	-	(0.4)	(0.4)
At 31 March 2015	**0.3**	**0.3**	**0.6**
Current	-	0.3	0.3
Non current	0.3	-	0.3

Dilapidations
The dilapidations provision represents an estimate of the work required to bring the company's leased site at Newbury back to its original state at the end of the contract. The estimated outflow of this provision is expected to be within five years.

Other
The other provision is an estimate of the costs of restructuring some areas of the business.

Notes to the financial statements
For the year ended 31 March 2015

19. 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 £527,826 (2014: £409,829) represents contributions payable to the scheme at rates specified in the rules of the plan. There were no unpaid contributions at either 31 March 2015 or 31 March 2014.

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. 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 £190,571 (2014: £204,331). The contribution rate during the year was 26.0% of pensionable earnings. The unpaid contributions outstanding at the year end are £Nil (2014: £Nil).

The scheme was closed to new entrants from 31 March 2002 and a Group defined contribution retirement benefit scheme is provided to new entrants.

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

20. Trade and other payables and other liabilities

	2015 **£m**	2014 £m
Current (trade and other payables)		
Bank overdraft	**3.8**	-
Trade creditors and accruals	**20.6**	25.5
Other creditors	**14.3**	13.1
Deferred income	**42.3**	41.5
Total	**81.0**	80.1

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

21. Operating lease arrangements

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

	2015 **£m**	2014 £m
Minimum lease payments under operating leases recognised in the income statement during the year:		
Plant and equipment	**0.5**	0.5
Land and buildings	**0.3**	0.4
Total	**0.8**	0.9

Notes to the financial statements

For the year ended 31 March 2015

21. Operating lease arrangements (cont'd)

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

	2015	2014
	£m	£m
Within 1 year	**0.2**	0.3
More than 1 year but less than 5 years	**0.5**	0.8
Over 5 years	**-**	0.6
Total	**0.7**	1.7

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for terms of between two to five 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 £195,469,000 (2014: £200,353,000).

Operating lease contracts are entered into for an average term of 43 months (2014: 39 months).

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

	2015	2014
	£m	£m
Within 1 year	**155.1**	142.5
More than 1 year but less than 5 years	**184.7**	167.0
Over 5 years	**3.6**	3.6
Total	**343.4**	313.1

22. 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.

Notes to the financial statements
For the year ended 31 March 2015

Credit risk (cont'd)
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

	2015 £m	2014 £m
Trade debtors:		
Neither past due nor impaired (ungraded)	28.7	18.6
Past due but not impaired:		
31-60 days	3.8	3.0
61-90 days	0.7	-
>120 days	-	0.7
Total	4.5	3.7
Individually impaired	0.6	0.9
Total	**33.8**	**23.2**

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 least annually. See note 10.

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.

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 group 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 BVRLA, 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: Hitachi Capital House, Thorpe Road, Staines-upon-Thames, Surrey TW18 3HP.

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.

Registered office:	Kiln House Kiln Road Newbury Berkshire RG14 2NU
Telephone: Fax:	0844 463 2900 01635 589 750
Website:	www.hitachicapitalvehiclesolutions.co.uk
Registered company number:	1413993
Company Secretary:	J.N.M.Sims
Auditors:	Ernst & Young LLP London

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