

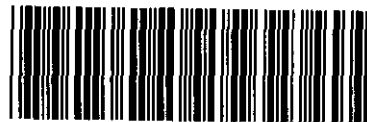
Company Registration No. 1006420

Yamaha Motor (UK) Limited

Report and Financial Statements

31 March 2006

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Yamaha Motor (UK) Ltd

Report and financial statements 2006

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Yamaha Motor (UK) Limited

Report and financial statements 2006

Officers and professional advisers

Directors

A. Imura
I. Kobayashi
A. Smith
Y. Takahashi
M. Yamanaka

Company Secretary

M. Yamanaka

Registered Office

Sopwith Drive
Brooklands Industrial Estate
Weybridge
Surrey KT13 0UZ

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Yamaha Motor (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activities and business review

Yamaha Motor (UK) Ltd is owned by the Mitsui & Co Ltd group (75% ownership), a company registered in Japan, and is partially owned by the Yamaha Motor Co. group (25%), also registered in Japan (see note 22 on page 23 for full details of related parties)

The principal activities and responsibilities of the company are the Sales, Marketing and Distribution of Yamaha branded motorised products and related spare parts. There have not been any significant changes in the company's principal activities in the year. The Directors would like to confirm the company has joined the European Central Inventory Management (ECIM) system from October 2006 with regard to all products.

The results of the company for the year are set out on page 7. The company incurred a loss on ordinary activities before taxation for the year ended 31 March 2006 of £3,300,000 (2005 - £2,438,000 (restated)).

The balance sheet on page 9 of the Financial Statements shows that the company's financial position at the year end has declined as a result of the loss in the year. Details of amounts owed to group undertakings are shown in note 22 on page 23.

The Motorcycle division result, which had a major bearing on the company's overall result, was impacted by severe market conditions.

The company will continue to seek cost and efficiency savings which will not negatively affect the performance of service levels, unit sales or brand image in the future.

Future prospects

New product introductions within all areas of the business are an integral part of the future success and the company will be introducing several new models across all commercial divisions for the coming season. The company see this as having a positive impact on the gross profit in the short term. The company, in line with the cost and efficiency savings review, has completed two re-organisations and has announced the sale of the current freehold building. These events will have a significant impact on returning the company to a profit before tax.

Principal risks and uncertainties

Competitive pressures in the UK, in particularly the retail industry, are a continuing risk to the company which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with dealers and Yamaha customers alike.

The company purchases all of its non motorcycle units in Euros or USD, and all spares in Euros. To minimise this risk the company purchases forward exchange contracts.

Due to the nature of the company's business and the assets and liabilities contained within the Company's balance sheet, the major area of financial risk is within dealer credit. Credit risk is mitigated by taking out insurance policies, holding charges on property and the keeping of registration documents.

Group risks are discussed in the Group's Annual Report which does not form part of this Report.

Environment

The company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this Report.

Employees

Details of the number of UK operational contracted employees and related costs can be found in note 4 to the financial statements on page 13.

Yamaha Motor (UK) Limited

Directors' report

Dividends

The directors do not recommend the declaration of a dividend for the year ended 31 March 2006 (2005: Nil)

Charitable donations

A charitable donation was made to BEN of £9,000 (2005 - £11,000).

Directors

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

A. Imura		Japan
I Kobayashi		Japan
A R Smith		
M. Yamanaka		Japan
Y. Takahashi	Appointed 1 Jan 2006	Japan
T Osugi	Resigned 1 June 2006	Japan
R W Bakewell	Resigned 31 Jan 2006	

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

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Information to Auditors

Each of the persons who are 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 so far 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 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 s234ZA of the Companies Act 1985.

Auditors

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

A Smith
Director

29th Jan 2007

Yamaha Motor (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Yamaha Motor (UK) Limited

We have audited the financial statements of Yamaha Motors (UK) Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, the reconciliation of net cash flow to movement in net debt and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Yamaha Motor (UK) Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

31 January 2007

Yamaha Motor (UK) Limited

Profit and loss account Year ended 31 March 2006

	Notes	2006 £'000	2005 £'000 (Restated)
Turnover	2	85,800	93,339
Cost of sales		(79,744)	(87,340)
Gross profit		6,056	5,999
Administrative expenses		(8,143)	(7,665)
Operating loss		(2,087)	(1,666)
Interest receivable and similar income	5	852	703
Interest payable and similar charges	6	(2,097)	(1,475)
Other income		32	-
Loss on ordinary activities before taxation	2	(3,300)	(2,438)
Tax Credit	7	978	671
Loss on ordinary activities after taxation	16	(2,322)	(1,767)

The results for the periods shown above are derived from continuing operations.

The notes on pages 11 to 23 form part of these financial statements.

Yamaha Motor (UK) Limited

Statement of Total Recognised Gains and Losses

	Notes	2006 £'000	2005 £'000 (Restated)
Net Loss for the year		(2,322)	(1,767)
Prior Year Adjustment	1	(6,948)	(6,203)
Other recognised gains and losses:			
- pension actuarial valuation gain/(loss)	18	2,119	(748)
Total recognised losses		<u>(7,151)</u>	<u>(8,718)</u>

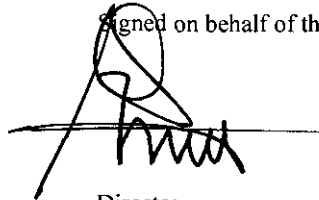
Yamaha Motor (UK) Limited

Balance sheet 31 March 2006

		2006		2005	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					(Restated)
Tangible assets	8		8,583		8,298
Investments	9		-		10
			<u>8,583</u>		<u>8,308</u>
Current assets					
Stocks	10	26,668		33,109	
Debtors	11	32,851		30,795	
Cash at bank and in hand		961		272	
		<u>60,480</u>		<u>64,176</u>	
Creditors: amounts falling due within one year	12	<u>(54,068)</u>		<u>(55,236)</u>	
Net current assets			6,412		8,940
Total assets less current liabilities			14,995		17,248
Provisions for liabilities and charges	13		<u>(5,918)</u>		<u>(7,968)</u>
			<u>9,077</u>		<u>9,280</u>
Capital and reserves					
Called up share capital	15		2,400		2,400
Profit and loss account	16		6,677		6,880
Total equity shareholders' funds			<u>9,077</u>		<u>9,280</u>

These financial statements were approved by the Board of Directors on 29th Jan - 2007.

Signed on behalf of the Board of Directors



Director

Yamaha Motor (UK) Limited

Cash flow statement Year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activities	19	(668)	(14,199)
Returns on investments and servicing of finance	20	(1,014)	(396)
Taxation		-	(73)
Capital expenditure and financial investment	20	(1,250)	(1,197)
Cash outflow before financing		(2,932)	(15,865)
Financing	20	3,915	16,040
Increase in cash and cash equivalents during the year	21	983	175

Reconciliation of net cash flow to movements in net debt Year ended 31 March 2006

	2006 £'000	2005 £'000
Increase in cash during the year	983	175
Cash outflow from increase in debt and lease financing	(3,915)	(16,040)
Movement in net debt in the year	(2,932)	(15,865)
Net debt at the start of the year	(22,532)	(6,667)
Net debt at the end of the year	(25,464)	(22,532)

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

1. Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention.

Prior year adjustment - change of accounting policy

Effective April 1 2005, the Company adopted FRS 17 relating to pension accounting. The comparative 2005 financial statements have been restated to reflect this change in accounting policy.

Fixed assets and depreciation

Depreciation is provided to write-off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Buildings	—	2% per annum
Motor vehicles and plant and machinery	—	25% per annum
Office equipment	—	25% per annum
Leased assets	—	20% per annum

No depreciation is provided on freehold land.

Foreign currencies

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

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the terms of the lease, whichever is shorter. Further instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

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

Pensions

The company operates a pension scheme providing benefits on final pensionable pay (defined benefit scheme). A new scheme was introduced for new employees entering the company which is a defined contribution scheme.

The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Contributions to the defined contribution scheme are charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Stocks

Stocks are stated at the lower of cost and net realisable value. The price includes duty and charges payable.

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

A deferred tax asset has been recognised for incurred losses as the company can crystallise these losses under a group relief arrangement within the UK.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period, and are predominantly recognised on delivery of goods to customers.

Included in turnover is the operating lease income from the golf car lease fleet. This is recognised evenly over the lease term with the costs reflected in the same way (see note 8).

Cash

Cash, for the purpose of cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2. Turnover and loss on ordinary activities before taxation

(a) Turnover

Turnover is attributable to the principal activity of the company (see Directors' report) and has arisen wholly from sales to the UK market.

(b) Loss on ordinary activities before taxation.

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation is stated:		
after charging:		
Auditors' remuneration:		
Audit	55	66
Other services – fees paid to the auditor and its associates	-	22
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,196	1,131
Leased	27	56
Rentals payable under operating leases		
Hire of other assets	1,064	208
after crediting:		
Rents receivable from property	-	100
Other rentals receivable under operating leases (see note 8)	1,297	1,093
Profit on disposal of tangible fixed assets	26	8
Exceptional release of debtor provision	-	608

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

3. Remuneration of directors

	2006 £'000	2005 £'000
Directors' remuneration		
Remuneration as executives	328	353
Company contributions to defined benefit pension schemes	32	27
	<u>360</u>	<u>380</u>

The emoluments of the highest paid director were £173,210 (2005 – £212,757). He is not a member of the defined benefit pension scheme.

	2006 No.	2005 No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>1</u>	<u>1</u>

4. Staff numbers and costs

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

	2006 No.	2005 No.
Sales and distribution	68	73
Administration	25	22
	<u>93</u>	<u>95</u>

The aggregate payroll costs of these persons were as follows:

	2006 £'000	2005 £'000
Wages and salaries	2,710	2,751
Social security costs	209	192
Pension costs	796	807
	<u>3,715</u>	<u>3,750</u>

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

5. Interest receivable and similar income

	2006 £'000	2005 £'000 (Restated)
Interest on pension assets	796	661
Bank interest receivable	56	42
	<u>852</u>	<u>703</u>

6. Interest payable and similar charges

	2006 £'000	2005 £'000 (Restated)
On bank overdrafts wholly repayable within 5 years	1,035	550
Interest on pension liabilities	1,062	925
	<u>2,097</u>	<u>1,475</u>

Included in cost of sales is interest of £216,000 (2005 – £811,000) payable to group undertakings.

7. Taxation

Analysis of credit for the year

	2006		2005	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		(275)	
Adjustments in respect of prior years	-		21	
	<u>-</u>		<u>21</u>	
Total current tax charge		-		(254)
<i>Deferred tax (Note 14)</i>				
Current year	(999)		(418)	
Adjustments in respect of prior years	21		1	
	<u>21</u>		<u>1</u>	
		(978)		(417)
Tax credit on loss on ordinary activities		(978)		(671)

Factors affecting the tax credit for the current year

The current tax credit for the year differs from the standard rate of corporation tax in the UK of 30% (2005 – 30%). The reconciling differences are explained below.

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

7. Taxation (continued)

	2006 £'000	2005 £'000 (Restated)
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,300)	(2,438)
Current tax credit at 30% (2005 – 30%)	(990)	(731)
<i>Effects of:</i>		
Income not subject to tax	(10)	-
Expenses not deductible for tax purposes	27	39
Other Fixed Assets differences	42	-
Depreciation for period in excess of capital allowances	1	74
Other timing differences	-	(226)
Adjustments to tax charge in respect of previous years	-	21
Unutilised tax losses carried forward	930	569
Total current tax credit	-	(254)

8. Tangible fixed assets

	Freehold land and buildings £'000	Motor vehicles, plant & machinery £'000	Office equipment and leased assets £'000	Total £'000
Cost				
At 1 April 2005	6,197	2,065	4,794	13,056
Transfer from stock	-	-	554	554
Additions	-	340	1,103	1,443
Transfers to stock	-	-	(742)	(742)
Disposals	-	(866)	(624)	(1,490)
At 31 March 2006	6,197	1,539	5,085	12,821
Accumulated depreciation				
At 1 April 2005	835	1,479	2,444	4,758
Transfer from stock	-	-	79	79
Charge for the year	64	291	868	1,223
Transfers to stock	-	-	(457)	(457)
Disposals	-	(817)	(548)	(1,365)
At 31 March 2006	899	953	2,386	4,238
Net book value				
At 31 March 2006	5,298	586	2,699	8,583
At 31 March 2005	5,362	586	2,350	8,298

Yamaha Motor (UK) Limited

Notes to the accounts

Year ended 31 March 2006

8. Tangible fixed assets (continued)

The gross value of freehold land and buildings includes £3,197,000 (2005 – £3,197,000) of depreciable assets.

Included in the total net book value of office equipment and leases assets is £54,000 (2005 – £24,000) in respect of assets held under finance leases. Depreciation charge for the year on these assets was £3,000 (2005 – £56,000).

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

	2006 £'000	2005 £'000
Cost	4,614	4,037
Accumulated depreciation	(1,961)	(1,744)
	<u>2,653</u>	<u>2,293</u>

The aggregate rentals receivable during the period in respect of operating leases was £ 1,297,000 (2005 – £1,093,000)

9. Fixed asset investments

	Ownership	2006 £'000	2005 £'000
Investment in Yamics Ltd	100%	<u>-</u>	<u>10</u>

Yamics Limited used to be registered in England and Wales and has been dormant. Yamics was dissolved on 7 February 2006.

Upon dissolving Yamics the retained earnings of Yamics resulted in a profit to the company reported under other income.

10. Stock

	2006 £'000	2005 £'000
Finished goods and goods for resale	23,690	31,746
Goods in transit	2,978	1,363
	<u>26,668</u>	<u>33,109</u>

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

11. Debtors

	2006 £'000	2005 £'000 (Restated)
Trade debtors	30,608	28,311
Amounts owed by parent undertakings	77	360
Amounts owed by associated undertakings	52	96
Net deferred tax assets (note 14)	1,649	671
Other debtors	401	912
Prepayments and accrued income	64	445
	<u>32,851</u>	<u>30,795</u>

12. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	26,425	22,804
Trade creditors	624	484
Amounts owed to parent undertakings	17,788	23,500
Amounts owed to group undertakings	-	42
Amounts owed to associated undertakings	26	-
Prepayments and accrued income	9,205	8,406
	<u>54,068</u>	<u>55,236</u>

13. Provisions for liabilities and charges

	2006 £'000	2005 £'000 (Restated)
Opening balance		
- As previously stated	1,020	932
- Effect of prior year adjustment	6,948	6,203
As restated	<u>7,968</u>	<u>7,135</u>
Current service cost	540	540
Employee contributions paid	(737)	(719)
Expected return on pension scheme assets	(796)	(661)
Interest on pension scheme liabilities	1,062	925
Actuarial (gain)/loss	(2,119)	748
At end of year (note 18)	<u>5,918</u>	<u>7,968</u>

Yamaha Motor (UK) Limited

Notes to the accounts

Year ended 31 March 2006

14. Deferred tax

The elements of deferred taxation are as follows:

	2006 £'000	2005 £'000 (Restated)
Opening Balance:		
- As previously stated	977	560
- Effect of prior year adjustment	(306)	(306)
As restated	671	254
Credit for the year (Note 7)	978	417
	<u>1,649</u>	<u>671</u>
Differences between accumulated depreciation and amortisation and capital allowances	117	74
Other timing differences	28	28
Unutilised tax losses carried forward	1,504	569
Deferred tax asset (Note 11)	<u>1,649</u>	<u>671</u>

15. Called up share capital

	2006 £'000	2005 £'000
Authorised		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
2,400,000 ordinary shares of £1 each	<u>2,400</u>	<u>2,400</u>

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

16. Reconciliation of movements in profit and loss account

	2006 £'000	2005 £'000 Restated
Opening balance		
- as previously stated	14,134	15,904
- effect of prior year adjustment (Notes 13 and 14)	(7,254)	(6,509)
- as restated	6,880	9,395
Net loss for the year		
- as previously stated	(2,322)	(1,770)
- effect of prior year adjustment	-	3
- as restated	(2,322)	(1,767)
Other recognised gains and losses		
- as previously stated	2,119	-
- effect of prior year adjustment	-	(748)
- as restated	2,119	(748)
Closing profit and loss account balance	6,677	6,880

17. Commitments

	2006 £'000	2005 £'000
Operating leases which expire:		
Within one year	-	11
In the second to fifth years inclusive	95	95
	95	106

18. Pension schemes

Employees of the company are eligible for membership of the Mitsui UK Retirement Benefits Plan ('the plan') which consists of a defined benefit scheme, and starting 27 May 2005 a defined contribution scheme for employees newly entering the company.

The assets of the defined benefit Plan are held in a separate trustee administered fund. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 30 September 2005.

Calculations were carried out as at 31 March 2006 to determine the pension cost for accounting purposes. The pension cost for the period charged to the profit and loss account was £540,000 (2005 restated- £540,000).

The most recent actuarial review, at 31 March 2006, showed that the market value of the company's share of the Plan's assets was £14,621,000 and a present value of liabilities of £20,539,000. This means coverage of 71%.

Yamaha Motor (UK) Limited

Notes to the accounts

Year ended 31 March 2006

18. Pension schemes (continued)

Effective April 1 2005, the Company adopted FRS 17 'Retirement benefits' under which the pension deficit has been recognised in the financial statements. The comparative 2005 financial statements have been restated to reflect this change in accounting policy.

The provision of £5,918,000 (2005 restated- £7,968,000) in the balance sheet represents the difference between the market value of the company's share of the Plan's assets and the present value of the Plan's liabilities. The amount charged in the profit and loss account represents the current service cost and finance income and expenditure on the pension scheme assets and liabilities. Actuarial gains and losses are included in the statement of total recognised gains and losses (STRGL).

The major assumptions used in the actuarial valuation were:

	2006	2005	2004
Rate of increase in salaries	4.2%	4.4%	4.1%
Rate of increase in pensions in payment and deferred pensions	2.7%	2.9%	2.9%
Discount rate applied to scheme liabilities	5.0%	5.4%	5.5%
Inflation assumption	2.7%	2.9%	2.9%

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2006 £'000	2005 £'000	2004 £'000
Equities	10,477	8,040	6,623
Bonds	3,890	3,463	2,911
Other – property	254	79	67
Total market value of assets	14,621	11,582	9,601
Present value of scheme liabilities	(20,539)	(19,550)	(16,736)
Deficit in the scheme (note 13)	(5,918)	(7,968)	(7,135)

	Long term rate of return 2006	Long term rate of return 2005	Long term rate of return 2004
Equities	7.3%	7.7%	7.75%
Bonds	4.15%	4.6%	4.60%
Other – property	4.00%	4.25%	3.50%

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

18. Pension schemes (continued)

Analysis of amount recognised in statement of total recognised gains and losses:

	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets:			
Amount	1,833	979	906
Percentage of year end scheme assets	12.5%	8.5%	9.4%
Experience gains and losses on schemes liabilities:			
Amount	1,210	(1,314)	225
Percentage of year end present value of scheme liabilities	6.1%	(6.7)%	1.3%
Changes in assumptions underlying the present value of scheme liabilities:			
Amount	(924)	(413)	(131)
Percentage of year end present value of scheme liabilities	(4.5%)	(2.1)%	(0.8)%
Total amount recognised in statement of total recognised gains and losses:			
Amount	2,119	(748)	1,000
Percentage of year end present value of scheme liabilities	10.3%	(3.8)%	6.0%

19. Reconciliation of operating profit to net cash outflow from operating activities

	2006 £'000	2005 £'000
Operating (loss)	(2,087)	(1,666)
Depreciation charge	1,223	1,187
Profit on sale of tangible fixed assets	(26)	(8)
Decrease/(increase) in stocks	6,251	(2)
(Increase)/decrease in debtors	(1,292)	618
Decrease in creditors	(4,737)	(14,328)
Net cash (outflow) from operating activities	(668)	(14,199)

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

20. Analysis of cash flows

	2006		2005	
	£'000	£'000	£'000	£'000
Returns on investment and servicing of finance				
Interest received	1,066		111	
Interest paid	(2,080)		(507)	
		(1,014)		(396)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(1,443)		(1,323)	
Sale of tangible fixed assets	193		126	
		(1,250)		(1,197)
Financing				
Increase in debt	3,915		16,040	
		3,915		16,040

21. Analysis of net debt

	At beginning of year £'000	Cash flow £'000	At and of year £'000
Cash in hand, at bank	272	689	961
Overdrafts	(294)	294	-
	(22)	983	961
Bank loans due within one year	(22,510)	(3,915)	(26,425)
Net debt	(22,532)	(2,932)	(25,464)

Yamaha Motor (UK) Limited

Notes to the accounts Year ended 31 March 2006

22. Transactions with related parties

At the balance sheet date the parties related to Yamaha Motor (UK) Limited were:

	Ordinary shareholding in Yamaha Motor (UK) Limited %
<i>Equity shareholders of Yamaha Motor (UK) Limited:</i>	
Mitsui Automotive Europe BV, Holland	75
Yamaha Motor Company Limited, Japan	15
Yamaha Motor Europe NV, Holland	10
<i>Fellow subsidiary undertakings traded with in the year</i>	
Datatag ID Ltd	

The following material transactions were made during the year by Yamaha Motor (UK) Limited:

	Description	Payments £'000	Receipts £'000
Mitsui & Co Limited Japan	Ultimate Parent undertaking	51	-
Mitsui & Co UK plc	Indirect Parent undertaking	19,374	6
Yamaha Motor Europe NV	Direct Parent undertaking	863	1,210
Datatag ID Limited	Associated undertaking	160	110
Mitsui Automotive Europe	Direct Parent undertaking	38,319	-

There were no amounts written off during the period in respect of debts to or from the related parties.

23. Ultimate parent company and parent undertaking of larger group of which the Company is a member

The company is a subsidiary undertaking of the ultimate parent company, Mitsui Co Ltd, which is incorporated in Japan.

The smallest and largest group in which the results of the Company are consolidated is that headed by Mitsui & Co Ltd. The consolidated accounts of Mitsui & Co Ltd are available from 2-1 Ohtemachi 1-Chome Chiyoda-KU, Tokyo, Japan.