

Yamaha Motor (UK) Limited

**Directors' report and consolidated
financial statements**

Registered number - 1006420

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

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

Business review

The results of the group for the year are set out on page 5. The group achieved a profit on ordinary activities before taxation of £2,880,000 compared to £2,510,000 for the previous year.

Continued growth in the UK motorcycle market enabled an increase in turnover. The strength of sterling has helped Yamaha to become more competitive and to maintain a strong presence in this market.

Other Yamaha products have continued to increase their contribution to turnover and profitability.

Market value of land and buildings

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

Proposed dividend

The directors propose a dividend for the year of £240,000 (1998: £240,000).

Year 2000

The directors have recognised the risks and uncertainties associated with the year 2000 problem. All internal systems were modified and the products and third party relationships were maintained over the period. The programme prevented any serious disruption and no system failure resulted, the business continued and third parties were offered the same service.

The costs have been included in the results for 1999, and no costs due to the year 2000 were incurred after the accounts date.

Directors and directors' interests

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

H Nagata	(Japanese)	(Chairman) (appointed 18 May 1999)
Y Onuki	(Japanese)	(Chairman) (resigned 17 May 1999)
M Yoshida	(Japanese)	
A Futatsugi	(Japanese)	
K Iwahara	(Japanese)	
RW Bakewell		
A R Smith		

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.

Directors' report *(continued)*

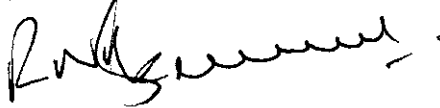
Political and charitable contributions

The company made no political contributions during the year. A charitable donation was made to BEN of £9,000.

Auditors

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

By order of the board



RW Bakewell
Director

20 Old Bailey
London
EC4M 7QQ

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

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

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

24 May 2000

Consolidated profit and loss account
for the year ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
Turnover	<i>1</i>	113,096	100,587
Cost of sales		(100,229)	(89,603)
Gross profit		12,867	10,984
Administrative expenses		(9,789)	(8,651)
Operating profit		3,078	2,333
Other interest receivable and similar income	<i>5</i>	22	209
Interest payable and similar charges	<i>6</i>	(220)	(32)
Profit on ordinary activities before taxation	<i>2</i>	2,880	2,510
Tax on profit on ordinary activities	<i>7</i>	(712)	(1,032)
Profit for the financial year		2,168	1,478
Proposed dividend		(240)	(240)
Retained profit for the financial year	<i>15</i>	1,928	1,238

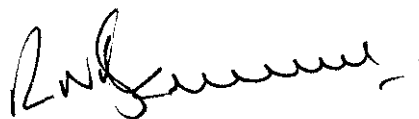
There were no recognised gains or losses other than the profit for the years shown above.

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

Consolidated balance sheet
at 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	8	7,702	7,366
Current assets			
Stocks	10	17,359	26,824
Debtors	11	12,015	10,888
Cash at bank and in hand		187	447
		<u>29,561</u>	<u>38,159</u>
Creditors: amounts falling due within one year	12	<u>(19,927)</u>	<u>(30,131)</u>
Net current assets		<u>9,634</u>	<u>8,028</u>
Total assets less current liabilities		<u>17,336</u>	<u>15,394</u>
Creditors: amounts falling due after more than one year	13	-	(31)
Provisions for liabilities and charges	18	(498)	(453)
Net assets		<u>16,838</u>	<u>14,910</u>
Capital and reserves			
Called up share capital	14	2,400	2,400
Profit and loss account	15	14,438	12,510
Shareholders' funds	16	<u>16,838</u>	<u>14,910</u>

These financial statements were approved by the board of directors on 8 May 2000 and were signed on its behalf by:



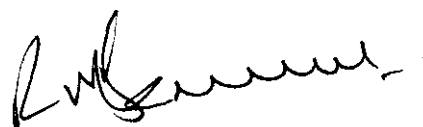
A Futatsugi
Director

RW Bakewell
Director

Company balance sheet
at 31 December 1999

	<i>Note</i>	1999	1998
		£'000	£'000
Fixed assets			
Tangible assets	8	7,702	7,366
Investments	9	10	10
		<hr/>	<hr/>
		7,712	7,376
Current assets			
Stocks	10	16,358	26,120
Debtors	11	12,373	11,292
Cash at bank and in hand		187	447
		<hr/>	<hr/>
		28,918	37,859
Creditors: amounts falling due within one year	12	(19,830)	(30,063)
		<hr/>	<hr/>
Net current assets		9,088	7,796
		<hr/>	<hr/>
Total assets less current liabilities		16,800	15,172
Creditors: amounts falling due after more than one year	13	-	(31)
Provision for liabilities and charges	18	(498)	(453)
		<hr/>	<hr/>
Net assets		16,302	14,688
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	2,400	2,400
Profit and loss account	15	13,902	12,288
		<hr/>	<hr/>
Shareholders' funds	16	16,302	14,688
		<hr/>	<hr/>

These financial statements were approved by the board of directors on ²⁴8 May 2000 and were signed on its behalf by:



A Futatsugi
Director

RW Bakewell
Director

Consolidated cash flow statement
for the year ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
Cash flow from operating activities	19	(2,766)	786
Return on investments and servicing of finance	20	(198)	177
Taxation		(1,144)	(498)
Capital expenditure	20	(1,153)	(887)
Equity dividends paid		(240)	(240)
Cash outflow before management of liquid resources and financing		(5,501)	(662)
Financing	20	(126)	(91)
Decrease in cash in the year		(5,627)	(753)

Reconciliation of net cash flow to movement in net (debt)/funds
for the year ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
Decrease in cash in the year	21	(5,627)	(753)
Repayment of/(new) finance leases		126	(26)
Movement in net funds in the year		(5,501)	(779)
Net funds at the start of the year		290	1,069
Net (debt)/funds at the end of the year	21	(5,211)	290

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The Group financial statements consolidate the financial statements of Yamaha Motor (UK) Limited and its subsidiary undertakings, all of which have been made up to 31 December 1999.

The acquisition method of accounting has been adopted and the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

In the Company's accounts, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230(4) of the Companies Act 1985, Yamaha Motor (UK) Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Yamaha Motor (UK) Limited is disclosed in note 15 to these financial statements.

Fixed assets and depreciation

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

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

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

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

Stocks

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

Taxation

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

Pensions

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

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 term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with 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.

Turnover

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

Notes (continued)

2 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>After charging</i>		
Auditors' remuneration:		
- audit	38	37
- non audit work	24	23
Depreciation and other amounts written off owned tangible fixed assets		
- owned assets	749	622
- leased assets	121	107
Hire of plant and machinery - rentals payable under operating leases	140	179
Hire of other assets - operating leases	204	204
Exchange losses	31	-
<i>After crediting</i>		
Exchange gains	-	11
Rents receivable from property	157	157
Other rentals receivable under operating leases	472	418
Profit on disposal of tangible fixed assets	53	26
	<u> </u>	<u> </u>

3 Remuneration of directors

	1999 £'000	1998 £'000
Directors' emoluments:		
Remuneration as executives	346	284
Pensions	20	15
	<u> </u>	<u> </u>
	366	299
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £187,495 (1998: £133,000). He was not a member of the group pension scheme.

Notes (continued)

3 Remuneration of directors (continued)

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	1999	1998
Defined benefit schemes	2	2
	<u> </u>	<u> </u>

4 Staff numbers and costs

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

	Number of employees	
	1999	1998
Sales and distribution	73	70
General administration	23	22
	<u> </u>	<u> </u>
	96	92
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	2,802	2,401
Social security costs	180	176
Other pension costs (see note 18)	424	345
	<u> </u>	<u> </u>
	3,406	2,922
	<u> </u>	<u> </u>

5 Other interest receivable and similar income

	1999	1998
	£'000	£'000
Bank interest receivable	22	209
	<u> </u>	<u> </u>

Notes *(continued)*

6 Interest payable and similar charges

	1999 £'000	1998 £'000
On bank overdrafts wholly repayable within five years	212	19
Finance charges payable in respect of finance leases	8	13
	<u>220</u>	<u>32</u>

Included in cost of sales is interest of £1,168,000 (1998: £1,307,000) payable to group undertakings.

7 Taxation

	1999 £'000	1998 £'000
UK corporation tax at 30.25% (1998: 31. %)	712	1,032

There were no tax losses used in 1999 or carried forward at 31 December 1999.

There are no unprovided deferred tax liabilities.

Notes (continued)

8 Tangible fixed assets

Group and company	Freehold land and buildings	Motor vehicles and plant	Office equipment and leased assets	Total
	£'000	£'000	£'000	£'000
Cost				
At beginning of year	6,103	1,364	1,877	9,344
Additions	-	457	1,090	1,547
Disposals	-	(230)	(470)	(700)
At end of year	6,103	1,591	2,497	10,191
Depreciation				
At beginning of year	440	732	806	1,978
Charge for year	62	320	488	870
On disposals	-	(220)	(139)	(359)
At end of year	502	832	1,155	2,489
Net book value				
At 31 December 1999	5,601	759	1,342	7,702
At 31 December 1998	5,663	632	1,071	7,366

The gross value of freehold land and buildings includes £3,103,000 (1998: £3,103,000) of depreciable assets.

The net book value of office equipment and leased assets held under finance leases total £29,000 (1998: £150,000).
The depreciation for the year relating to these assets was £121,000 (1998: £107,000).

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

	1999	1998
	£'000	£'000
Cost	1,847	1,231
Accumulated depreciation	(570)	(358)
Net book value	1,277	873

The aggregate rentals receivable during the year in respect of operating leases were £472,000 (1998: £418,000).

Notes (continued)

9 Fixed asset investments

	Company 1999 £'000	Company 1998 £'000
Investment in Datatag ID Ltd		
100% ordinary shares	-	-
Investment in Yamics Ltd		
100% ordinary shares	10	10
	<u>10</u>	<u>10</u>
	<u><u>10</u></u>	<u><u>10</u></u>

Datatag ID Limited

This company was incorporated as TEK Europe Limited and is registered in England and Wales. It began trading in 1998 after changing its name to Datatag ID Limited.

Yamics Ltd

This company is registered in England and Wales and commenced trading on 28 April 1997.

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

10 Stocks

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Finished goods and goods for resale	16,262	23,867	15,261	23,163
Goods in transit	1,097	2,957	1,097	2,957
	<u>17,359</u>	<u>26,824</u>	<u>16,358</u>	<u>26,120</u>
	<u><u>17,359</u></u>	<u><u>26,824</u></u>	<u><u>16,358</u></u>	<u><u>26,120</u></u>

11 Debtors

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Due within one year				
Trade debtors	11,369	10,261	11,369	10,261
Amounts owed by group undertakings	-	-	358	404
Other debtors	468	162	468	162
Prepayments and accrued income	178	465	178	465
	<u>12,015</u>	<u>10,888</u>	<u>12,373</u>	<u>11,292</u>
	<u><u>12,015</u></u>	<u><u>10,888</u></u>	<u><u>12,373</u></u>	<u><u>11,292</u></u>

Notes (continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Bank loans and overdraft	5,367	-	5,367	-
Trade creditors	565	523	565	523
Amounts owed to parent undertaking	7,129	21,713	7,170	21,780
ACT payable	-	60	-	60
Other creditors including taxation and social security				
Corporation tax	481	915	360	824
Other taxes and social security	112	95	112	95
Other creditors	6,002	6,459	5,985	6,415
Obligations under finance lease (note 17)	31	126	31	126
Proposed dividend	240	240	240	240
	<u>19,927</u>	<u>30,131</u>	<u>19,830</u>	<u>30,063</u>

13 Creditors: amounts falling due after more than one year

	Group and Company	
	1999	1998
	£'000	£'000
Obligations under finance leases (note 17)	-	31

14 Called up share capital

	Group and Company	
	1999	1998
	£'000	£'000
<i>Authorised</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
2,400,000 ordinary shares of £1 each	2,400	2,400

15 Profit and loss account

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Retained profit brought forward	12,510	11,272	12,288	11,250
Retained profit for the year	1,928	1,238	1,614	1,038
Retained profit carried forward	<u>14,438</u>	<u>12,510</u>	<u>13,902</u>	<u>12,288</u>

Notes (continued)

16 Reconciliation of movements in shareholders' funds

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Retained profit for the financial year	1,928	1,238	1,614	1,038
Opening shareholders' funds	14,910	13,672	14,688	13,650
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Closing shareholders' funds	16,838	14,910	16,302	14,688
	<hr/>	<hr/>	<hr/>	<hr/>

17 Commitments

(i) Finance leases

The obligations under finance leases fall due in the following periods after the balance sheet date. These are included within creditors (notes 12 and 13):

	Company and Group	
	1999	1998
	Net obligations £'000	Net obligations £'000
Within one year	31	126
Two to five years	-	31
	<hr/>	<hr/>
	31	157
	<hr/>	<hr/>

(ii) Operating leases

Annual payments in respect of operating leases for the hire of premises and equipment are as follows:

	Company and Group			
	1999	1999	1998	1998
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
In the first year	-	92	-	31
In the second to fifth years inclusive	204	48	-	148
Over five years	-	-	204	-
	<hr/>	<hr/>	<hr/>	<hr/>
	204	140	204	179
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

18 Pension scheme

Employees of the company are eligible for membership of the Mitsui UK Retirement Benefits Plan ("the Plan") a defined benefit scheme. The assets of the Plan are held in a separate trustee administered fund.

The Plan's funding level is determined on the basis of triennial valuations by a qualified actuary using the Projected Unit method. The most recent valuation was at 30 September 1998.

Calculations were carried out as at 31 December 1999 to determine the pension cost for accounting purposes. The assets have been taken at an estimate of their market value of £23,800,000 and the actuarial assumptions reflect market conditions in existence at that date. The main assumptions used were an investment return of 4.75% p.a. after retirement, 6.75% p.a. before retirement, salary increases of 3.75% p.a. and pension increases of 4% p.a. compound for service to 31 October 1999 and 2.25% p.a. thereafter. On these assumptions, the assets were sufficient to secure 86% of the liabilities of the Plan based on projected final pensionable salaries at that date.

The pension cost for the year charged to the profit and loss account was £424,000 (1998: £345,000)

At 31 December 1999 a provision of £498,000 (1998: £453,000) has accrued in respect of the pension cost representing the difference between the pension cost charged to the profit and loss account and the actual contributions paid.

19 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1999	1998
	£'000	£'000
Operating profit	3,078	2,333
Depreciation charge	870	729
Profit on sale of tangible fixed assets	(53)	(26)
(Increase)/Decrease in stocks	9,465	(7,934)
(Increase) in debtors	(1,127)	(3,618)
(Decrease)/Increase in creditors	(14,999)	9,302
	<hr/>	<hr/>
Net cash inflow from operating activities	(2,766)	786
	<hr/>	<hr/>

Notes (continued)

20 Analysis of cash flows

	1999 £000	1998 £000
Returns on investment and servicing of finance		
Interest received	22	209
Interest paid	(212)	(19)
Interest element of finance lease rental payments	(8)	(13)
	<u>(198)</u>	<u>177</u>
Capital expenditure		
Purchase of tangible fixed assets	(1,547)	(1,213)
Sale of plant and machinery	394	326
	<u>(1,153)</u>	<u>(887)</u>
Financing		
Capital element of finance lease rental payments	(126)	(91)
	<u>(126)</u>	<u>(91)</u>

21 Analysis of net funds

	At beginning of year £'000	Cash flow £'000	At end of year £'000
Cash at bank and in hand	447	(260)	187
Loans and bank overdraft	-	(5,367)	(5,367)
	<u>447</u>	<u>(5,627)</u>	<u>(5,180)</u>
Finance leases	(157)	126	(31)
	<u>290</u>	<u>(5,501)</u>	<u>(5,211)</u>
Total	<u>290</u>	<u>(5,501)</u>	<u>(5,211)</u>

Notes (continued)

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 %
Mitsui & Co Limited, Tokyo, Japan	37.5
Mitsui & Co UK plc	37.5
Yamaha Motor Company Limited, Japan	15
Yamaha Motor Europe NV, Holland	10

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

	Description	£'000
Mitsui & Co UK plc	Stock purchases and services	72,668
Yamaha Motor Europe NV	Stock purchases and promotional items	1,364

Amounts due from/to the above parties at the year end were:

	Receivable £'000	Payable £'000
Mitsui & Co UK PLC	-	7,129
Yamaha Motor Europe NV	180	535

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

23 Ultimate parent undertaking

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