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## **Daihatsu Diesel (Europe) Limited**

### **Report and Financial Statements**

31 March 2013

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COMPANIES HOUSE



## Daihatsu Diesel (Europe) Limited

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### **Directors**

K Watanabe

Y Sengoku

T Miyoshi

### **Secretary**

E Watson

### **Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

### **Registered Office**

5<sup>th</sup> Floor

Devon House

58-60 St Katharines Way

London E1W 1LB

Registered No 1736596

## **Directors' report**

The directors present their report and financial statements for the 15 month period ended 31 March 2013

### **Results and dividends**

The profits for the period after taxation amounted to £454,464 (year ended 31 December 2011 – profit after tax of £747,690) Ordinary dividends of £315,000 (year ended 31 December 2011 – £600,000) were declared and approved during the period

### **Principal activities and review of the business**

The principal activity of the company during the period continued to be the sale of ships' diesel engines and spare parts

The company has been adversely affected by the shipping industry's recession due to sales volume decrease for spare parts during the financial period. Several direct engine sale orders were achieved in spite of the recession and has been the main driver of turnover during the period. The net profit was however unfavourably affected by foreign exchange rate loss. The company has registered a liaison office in Hamburg during the period and operations commenced during the period. The company also has a registered branch in Greece.

The company changed its accounting reference date from 31 December to 31 March during the current period.

### **Future developments**

The company will continue to focus on selling marine engines and parts with anticipated continued growth in the shipping market.

The directors foresee the addition of stationary land engines and other Daihatsu engine products to the portfolio of the business in the medium term.

### **Principal risks and uncertainties**

The company addresses price, credit, liquidity and cash flow risk as follows,

- Prices are agreed between customers such that transactions are commercially valid. Any material payments in foreign currency will then have forward contracts arranged to prevent any loss on the price achieved.
- Credit risk arises when one party to a financial instrument causes a loss for the other party by failing to discharge an obligation. Policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.
- Liquidity and cash flow risk. The Company manages its liquidity and cash flow risk by actively managing cash balances on hand, while ensuring the optimum return on them. The cash collection is structured for larger transactions and managed by way of a credit control function for routine transactions.

## Directors' report (continued)

### Going concern

The company will stay within its normal operating and trading environment within the boundaries of its medium and long-term plan and the factors likely to affect its future performance and position are set out above

The company has sufficient financial resources, extra support from the parent undertaking and continues to operate as a European master distributor for the European market. The directors believe that they have a sound and proven business strategy for the company's business risks and that it is well managed

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

### Directors

The directors who served the company during the period were as follows

K Watanabe  
Y Sengoku  
T Miyoshi

### Charitable contributions

During the period, the company made the following charitable contribution

<i>Name of organisation</i>	<i>Country</i>	<i>Amount £</i>
The Japan Society – donation for an education programme	United Kingdom	500

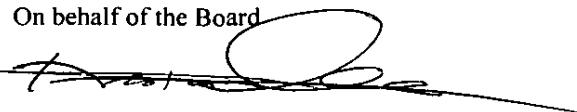
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

### Auditors

A resolution to Ernst & Young LLP as auditors was passed by the members at the Annual General Meeting

On behalf of the Board



K Watanabe  
Director

Date 19 JUN 2013

## 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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, and
- 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 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.

# **Independent auditors' report**

## **to the members of Daihatsu Diesel (Europe) Limited**

We have audited the financial statements of Daihatsu Diesel (Europe) Limited for the 15 months ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. 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).

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 auditor**

As explained more fully in the Statement of Directors Responsibilities set out on page 4, 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 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 report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the 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 2013 and of its profit for the period 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

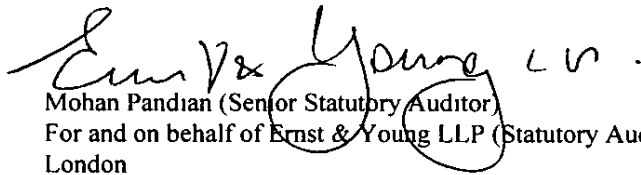
## **Independent auditors' report (continued)**

**to the members of Daihatsu Diesel (Europe) Limited**

### **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

  
Mohan Pandian (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London

Date **19 JUN 2013**



## Profit and loss account

for the 15 month period ended 31 March 2013

		<i>15 months ended 31 March 2013</i>	<i>Year ended 31 December 2011</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	2	39,296,081	32,869,848
Cost of sales		<u>(35,059,127)</u>	<u>(29,221,765)</u>
<b>Gross profit</b>		4,236,954	3,648,083
Administrative expenses		<u>(3,717,410)</u>	<u>(2,989,379)</u>
Other operating income		<u>110,470</u>	<u>384,843</u>
<b>Operating profit</b>	3	<u>630,014</u>	<u>1,043,547</u>
Interest receivable and similar income	6	3,318	3,073
Interest payable and similar charges	7	<u>(7)</u>	<u>-</u>
		<u>3,311</u>	<u>3,073</u>
<b>Profit on ordinary activities before taxation</b>		633,325	1,046,620
Tax	8	<u>(178,861)</u>	<u>(298,930)</u>
<b>Profit for the financial period</b>	18	<u>454,464</u>	<u>747,690</u>

All amounts relate to continuing activities

## Statement of total recognised gains and losses

for the 15 month period ended 31 March 2013

There were no recognised gains or losses other than the profit of £454,464 attributable to the shareholders of the company for the period ended 31 March 2013 (year ended 31 December 2011 – profit of £747,690)

## Balance sheet

at 31 March 2013

		31 March 2013	31 December 2011
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	11	33,789	66,610
		<u>33,789</u>	<u>66,610</u>
<b>Current assets</b>			
Stock	12	981	981
Debtors	13	7,987,344	7,498,434
Cash at bank		1,388,651	2,358,259
		<u>9,376,976</u>	<u>9,857,674</u>
<b>Creditors: amounts falling due within one year</b>	14	(6,984,407)	(7,635,034)
<b>Net current assets</b>		<u>2,392,569</u>	<u>2,222,640</u>
<b>Total assets less current liabilities</b>		<u>2,426,358</u>	<u>2,289,250</u>
<b>Provisions for liabilities</b>		-	(2,356)
<b>Total net assets</b>		<u>2,426,358</u>	<u>2,286,894</u>
<b>Capital and reserves</b>			
Called up share capital	17	50,000	50,000
Profit and loss account	18	2,376,358	2,236,894
<b>Shareholders' funds</b>	18	<u>2,426,358</u>	<u>2,286,894</u>



K Watanabe

Director

Date **19 JUN 2013**

## Notes to the financial statements

at 31 March 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

#### *Going concern*

The company will stay within its normal operating and trading environment within the boundaries of its medium and long-term plan and the factors likely to affect its future performance and position are set out in the Directors' report

The company has its sufficient financial resources, extra support from the parent undertaking and continues to operate as a European master distributor for the European market. The directors believe that they have a sound and proven business strategy for the company's business risks and that it is well managed

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### *Statement of cash flows*

The directors have taken advantage of the exemption in FRS 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements

#### *Intangible fixed assets*

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets are amortised on a straight line basis over the estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

#### *Tangible fixed assets*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Fixtures and fittings — over 5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

#### *Stock*

Stock is stated at the lower of cost incurred in bringing each product to its present location and condition, and the net realisable value. Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal

## Notes to the financial statements (continued)

at 31 March 2013

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at 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

Results of overseas operations which operate as independent branches are translated using the closing rate method and the gains or losses on translation are included in the profit and loss account

#### *Revenue recognition*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding VAT. The following criteria must also be met before revenue is recognised

#### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods

#### *Interest income*

Revenue is recognised as interest accrues using the effective interest method

#### *Operating lease agreements*

Rentals payable under operating leases are charged to income on a straight line basis over the term of the lease. Lease incentives are recognised over the shorter of the lease term and the date of first rent review

#### *Pension costs*

The company makes defined contributions to a group personal pension scheme on behalf of its employees. Contributions are charged to the profit and loss account in the period in which they become payable

### 2. Turnover

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. All turnover and the pre-tax result is attributable to the company's principal activity, all of which is continuing

An analysis of turnover by geographical market is not disclosed because the directors believe it would be seriously prejudicial to the interest of the company

## Notes to the financial statements (continued)

at 31 March 2013

### 3. Operating profit

This is stated after charging/(crediting)

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Audit of the financial statements	33,000	23,624
Other fees to auditors		
– Taxation services	17,309	28,829
– Immigration and VISA application services	24,085	7,674
– Corporation tax services	12,970	9,500
– Transfer Pricing services	-	16,000
Amortisation of intangible fixed assets	-	2,667
Depreciation of tangible fixed assets	41,466	43,961
Operating lease rentals		
– land and buildings	379,081	240,226
– plant and machinery	51,053	39,432
Net loss/(profit) on foreign currency translation	305,751	(157,177)

### 4. Directors' remuneration

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Remuneration	596,609	502,995
Value of company pension contributions to money purchase schemes	19,857	13,751
	<u>616,466</u>	<u>516,746</u>
	<i>No</i>	<i>No</i>
Members of defined contribution pension schemes	<u>1</u>	<u>1</u>

The highest paid director received remuneration of £315,160 (year ended 31 December 2011 – £258,719) and pension contributions of £19,857 (year ended 31 December 2011 – £13,751) during the period

## Notes to the financial statements (continued)

at 31 March 2013

### 5. Staff costs

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Wages and salaries	1,756,168	1,358,256
Social security costs	120,583	80,887
Other pension costs (note 15)	53,981	36,975
	<u>1,930,732</u>	<u>1,476,118</u>

The average monthly number of employees during the year was made up as follows

	<i>No</i>	<i>No</i>
Administration	<u>17</u>	<u>15</u>

### 6. Interest receivable and similar income

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Bank interest receivable	3,029	2,790
Other interest receivable	289	283
	<u>3,318</u>	<u>3,073</u>

### 7. Interest payable and similar income

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Other interest payable	<u>(7)</u>	<u>-</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 8. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
<b>Current tax:</b>		
UK corporation tax on profit for the period	182,394	298,802
Total current tax (note 8(b))	<u>182,394</u>	<u>298,802</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(3,533)	128
Total deferred tax (note 8(c))	<u>(3,533)</u>	<u>128</u>
Tax on profit on ordinary activities	<u>178,861</u>	<u>298,930</u>

#### (b) Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 24.4% (year ended 31 December 2011 – 26.5%). The differences are explained below

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Profit on ordinary activities before tax	633,325	1,046,620
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.4% (year ended 31 December 2011 – 26.5%)	154,525	277,354
<b>Effects of</b>		
Expenses not deductible for tax purposes	32,776	21,758
Capital allowances in excess of depreciation	(4,829)	(310)
Prior year adjustment	(78)	-
Current tax for the period (note 8(a))	<u>182,394</u>	<u>298,802</u>

#### (c) Deferred tax

	<i>31 March 2013 £</i>	<i>31 December 2011 £</i>
Depreciation	1,177	(2,356)
Deferred taxation asset/(liability)	<u>1,177</u>	<u>(2,356)</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 8. Tax (continued)

(c) Deferred tax

	£
At 1 January 2012	(2,356)
Profit and loss account movement arising during the period	3,533
At 31 March 2013	<u>1,177</u>

### 9. Dividends

	<i>15 months ended 31 March 2013 £</i>	<i>Year ended 31 December 2011 £</i>
Declared		
Equity dividend on ordinary shares		
Final dividend for 31 March 2013 – £6 3 per share (31 December 2011 – £12 00 per share)	<u>315,000</u>	<u>600,000</u>

Dividends of £600,000 were paid during the period (year ended 31 December 2011 - £1,330,837)

### 10. Intangible fixed assets

	£
Cost	
At 1 January 2011 and 31 March 2013	20,000
Depreciation	
At 1 January 2012 and 31 March 2013	(20,000)
Net book value	<u>-</u>
At 1 January 2012 and 31 March 2013	<u>-</u>



## Notes to the financial statements (continued)

at 31 March 2013

### 11. Tangible fixed assets

	<i>Fixtures and fittings</i> £
Cost	
At 1 January 2012	403,430
Additions	8,645
Disposals	-
At 31 March 2013	<u>412,075</u>
Depreciation	
At 1 January 2012	336,820
Provided during the period	41,466
Disposals	-
At 31 March 2013	<u>378,286</u>
Net book value	
At 31 March 2013	<u>33,789</u>
At 1 January 2012	<u>66,610</u>

### 12. Stock

	<i>31 March</i> <i>2013</i> £	<i>31 December</i> <i>2011</i> £
Technical service parts	<u>981</u>	<u>981</u>

The difference between purchase price of stock items and their replacement is immaterial

### 13. Debtors

	<i>31 March</i> <i>2013</i> £	<i>31 December</i> <i>2011</i> £
Trade debtors	7,252,346	6,708,238
Amounts owed by group undertakings	576,757	615,799
Other debtors	76,507	102,256
Amounts recoverable on long-term contracts	80,557	72,141
Deferred tax assets	1,177	-
	<u>7,987,344</u>	<u>7,498,434</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 14. Creditors: amounts falling due within one year

	<i>31 March 2013</i>	<i>31 December 2011</i>
	£	£
Trade creditors	542,035	577,460
Amounts owed to group undertakings	5,861,739	5,921,017
Advance payment from group undertakings	–	57,764
Corporation tax	2,472	38,518
Other taxation and social security	35,075	336,888
Other creditors	228,086	103,387
Dividend payable	315,000	600,000
	<u>6,984,407</u>	<u>7,635,034</u>

### 15. Pensions

The company operates a group personal pension scheme for all eligible employees and directors of the company. The company has made contributions into the scheme of £53,981 (year ended 31 December 2011 – £36,975). No amounts are outstanding at the period end (31 December 2011 – £nil).

### 16. Other financial commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	<i>31 March 2013</i>		<i>31 December 2011</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire				
Within one year	35,129	27,699	18,235	396
In two to five years	107,575	13,371	85,486	37,323
	<u>142,704</u>	<u>41,070</u>	<u>103,721</u>	<u>37,719</u>

## Notes to the financial statements (continued)

at 31 March 2013

### 17. Issued share capital

		31 March 2013		31 December 2011
<i>Allotted called up and fully paid</i>	<i>No</i>	<i>£</i>	<i>No</i>	<i>£</i>
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>

### 18. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2011	50,000	2,089,204	2,139,204
Profit for the year	–	747,690	747,690
Dividend	–	(600,000)	(600,000)
At 1 January 2012	50,000	2,236,894	2,286,894
Profit for the period	–	454,464	454,464
Dividend	–	(315,000)	(315,000)
At 31 March 2013	<u>50,000</u>	<u>2,376,358</u>	<u>2,426,358</u>

### 19. Related party transactions

On 9 June 2010, the company issued a loan to Mr K Watanabe of £10,000 to purchase a vehicle. The loan was repaid on 3 February 2012 and was interest free. The outstanding balance as at 31 March 2013 is nil (31 December 2011 – £1,000). The maximum amount outstanding during the year was £1,000 (31 December 2011 – £7,000).

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Daihatsu Diesel group.

### 20. Ultimate parent undertaking and controlling party

The ultimate parent undertaking, controlling party and parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is Daihatsu Diesel Manufacturing Company Limited, a company incorporated in Japan.

Copies of Daihatsu Diesel Manufacturing Company Limited's financial statements may be obtained from Umeda Sky Building Tower West, 1-30 Oyodonaka, 1-Chome, Kita-Ku, Osaka 531-0076, Japan.