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| Client:      | <b>Honda Motor Europe – European Financial Consolidation and IFRS Reporting</b>   |
| Keywords:    | <i>control mechanisms</i>   |
| Issue:       | Honda Motor has moved from a single global corporate centre to regional holding companies with regional boards and regional operating companies that need to be self funding in local capital markets. This has created a need for a European Financial Consolidation. In addition Europe has committed to move to consistent IFRS reporting of all companies rather than a mix of local standards and US GAAP reporting to Japan.  |
| What we did: | In support of the new HME finance team who developed the common accounting policies and training, we developed the processes and systems for the first consolidation. This interim solution needed to be able to handle consolidations of 3 financial year end balance sheet 2 financial year income statements. To maintain a clear audit trail the solution built up from the returns previously submitted by the companies to Japan, adjustments were then posted to achieve a standardised version of US GAAP, and then separately to adjust from US GAAP to IFRS prior to consolidation.<br>In addition we developed systems to facilitate the reconciliation of inter-company balances and eliminations |
| Benefit:     | <ul style="list-style-type: none"> <li>▪ First consolidation achieved successfully and filed with Companies House</li> <li>▪ Clear understanding of true impact of conversion to IFRS once local accounts adjusted</li> <li>▪ Start of an open conversation between operating companies to address common accounting issues and intercompany balances</li> <li>▪ Speeding up of intercompany reconciliations as foundation for shared services and effective regional treasury management</li> </ul>  |