

HM Plant Limited

**Directors' report and financial
statements**

Registered number 1082975

Period ended 31 December 2003



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Company information

Directors

JJ Jones – Chairman
S R Hanney
S F Howard
D A Hearne
D N Hopkins
A J Raine
B J Warren

Secretary

D A Trunks

Auditors

KPMG LLP
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

Registered Office

38 Castlefields Industrial Estate
Bridgwater
Somerset
TA6 4DH

Directors' report

The directors present their report and the audited financial statements for the eighteen month period ended 31 December 2003.

During the period, the company changed its accounting reference date in order to align with group reporting requirements.

Principal activities

The company's main activities during the period continued to be the distribution and marketing of construction equipment.

Results and dividends

The profit for the period after tax was £1,126,000 (2002: £2,368,000). A first and final dividend of £1,500,000 (2002: £2,364,000) was paid during the period.

The results of the company are set out on page 5.

Review of the business and future prospects

The directors consider the performance of the company to be satisfactory.

Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £17,000 (2002: £9,000).

Directors and their interests

The directors in office at the end of the period and who served throughout the period were as follows:

J J Jones
S R Hanney
S F Howard
D A Hearne
D N Hopkins
A J Raine
B J Warren

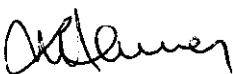
No directors had any interest in the share capital of the company at any time during the period.

Messrs J J Jones, S F Howard, D A Hearne and D N Hopkins are directors of the ultimate parent company, Heavy Construction Machinery Limited and their interests in the shares and loan notes of that company are disclosed in that company's accounts. AJ Raine and BJ Warren are not directors of the ultimate holding company but they both held 19,622 £0.01 ordinary shares at the beginning and end of the period in that company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



S R Hanney
Director

38 Castlefields Industrial Estate
Bridgwater
Somerset TA6 4DH

27 February 2004

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 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 company and to prevent and detect fraud and other irregularities.



KPMG LLP
100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of HM Plant Limited

We have audited the financial statements on pages 5 to 16.

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 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

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 1985. 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 company 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditor

22 MARCH 2004

Profit and loss account

for the 18 month period ended 31 December 2003

	Note	18 month period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Turnover	2	119,855	92,040
Cost of sales		(108,370)	(82,808)
		<hr/>	<hr/>
Gross profit		11,485	9,232
Administration expenses		(6,956)	(3,719)
Distribution costs		(3,182)	(2,142)
		<hr/>	<hr/>
Operating profit	3	1,347	3,371
Interest receivable and similar income	5	275	114
Interest payable and similar charges	6	(1)	(30)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,621	3,455
Tax on profit on ordinary activities	7	(495)	(1,087)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,126	2,368
Dividends – equity	8	(1,500)	(2,364)
		<hr/>	<hr/>
Retained (loss)/profit for the period	15	(374)	4
		<hr/>	<hr/>

There were no recognised gains or losses for either financial period other than those shown above.

All results arose from continuing activities.

Note of historical cost profits and losses

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Reported profit on ordinary activities before taxation	1,621	3,455
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	6	6
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,627	3,461
	<hr/>	<hr/>
Historical cost (loss)/profit for the period retained after taxation and dividends	(368)	10
	<hr/>	<hr/>

Balance sheet
at 31 December 2003

	Note	31 December 2003		30 June 2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		2,192		2,765
Current assets					
Stock	10	17,801		17,350	
Debtors	11	5,428		4,805	
Cash at bank and in hand		4,480		10,940	
		<u>27,709</u>		<u>33,095</u>	
Creditors: amounts falling due within one year	12	<u>(28,001)</u>		<u>(33,494)</u>	
Net current liabilities			(292)		(399)
Total assets less current liabilities			<u>1,900</u>		<u>2,366</u>
Creditors: amounts falling due after more than one year	13		<u>(12)</u>		<u>(104)</u>
Net assets			<u><u>1,888</u></u>		<u><u>2,262</u></u>
Capital and reserves					
Called up share capital	14		1,350		1,350
Revaluation reserve	15		338		344
Profit and loss account	15		200		568
Equity shareholders' funds	16		<u><u>1,888</u></u>		<u><u>2,262</u></u>

These financial statements were approved by the board of directors on **27 FEBRUARY** 2004 and were signed on its behalf by:



S R Hanney
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Depreciation

No depreciation is provided on freehold land. Depreciation is provided on all other tangible fixed assets, at rates calculated to write off the cost or valuation of each asset over its expected useful life, as follows:

Freehold buildings	-	Over 66 years
Short leasehold buildings	-	Over the remaining term of the lease
Plant and machinery	-	Over 3 to 10 years
Fixtures and fittings	-	Over 10 years
Motor vehicles	-	Over 4 years
Computers	-	Over 5 years

Investments

Investments are stated at cost, less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs include all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of directly attributable overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Taxation

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

Pension costs

The company contributes to the Heavy Machinery Group group personal pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

As a wholly owned subsidiary of a UK registered company HM Plant Limited has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Heavy Construction Machinery Limited consolidated accounts.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transaction. Monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet date, the differences arising being taken to the profit and loss account.

Leases and hire purchase

Assets held under finance leases are capitalised at their fair value on the inception of the agreement and depreciated over their estimated useful lives. The capital element of future payments is included under creditors. Interest is calculated and charged on a reducing balance basis.

Rentals under operating leases are charged to the profit and loss account in equal amounts over the lease term.

2 Turnover

Turnover represents the amount derived from the provision of goods and services relating to the distribution and marketing of construction equipment during the year, stated net of value added tax. Income is recognised at the point of sale for machines.

An analysis of turnover by geographical market is given below:

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
United Kingdom	114,160	86,187
Other European Countries	5,407	5,788
Other	288	65
	<hr/> 119,855 <hr/>	<hr/> 92,040 <hr/>

3 Operating profit

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Auditors' remuneration – audit fees	31	26
Depreciation on owned assets	254	174
Depreciation on leased assets	71	91
Operating lease charges - land and buildings	416	278
- other	649	435
(Profit)/loss on sale of fixed assets	(25)	24
Gains on foreign exchange	(172)	(245)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Staff costs

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Staff costs including directors:		
Wages and salaries	5,287	3,594
Social security costs	596	368
Other pension costs (note 19)	91	63
	<u>5,974</u>	<u>4,025</u>
	Number of employees	
	2003	2002
Average number employed including directors:		
Office and management	94	102
Assembly	64	65
	<u>158</u>	<u>167</u>

Directors' emoluments

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Emoluments (excluding pension contributions, but including benefits in kind)	246	162
Contributions to defined contribution pension scheme	15	6
	<u>261</u>	<u>168</u>
Number of directors who are members of a group personal pension scheme	<u>2</u>	<u>2</u>
The emoluments of the highest paid director were:		
Remuneration	124	81
Contribution to group personal pension schemes	8	3

The Chairman and three other directors were paid by Heavy Machinery Group Holdings Limited for their services to the Group as a whole. It is not practicable to apportion their remuneration between the companies of which they are directors.

Notes (continued)

5 Interest receivable and similar income

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Bank interest receivable	268	109
Other interest	7	5
	<hr/> 275 <hr/>	<hr/> 114 <hr/>

6 Interest payable and similar charges

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Bank overdraft and short term loan interest	1	26
Other interest payable	-	4
	<hr/> 1 <hr/>	<hr/> 30 <hr/>

7 Taxation

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
<i>UK corporation tax</i>		
UK corporation tax at 30% (2002: 30%)	565	1,087
Adjustments in respect of prior periods	(70)	-
	<hr/> 495 <hr/>	<hr/> 1,087 <hr/>
Total current tax charge	495	1,087

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: *higher*) than the standard rate of corporation tax in the UK 30% (2002: 30%). The differences are explained below:

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,621	3,455
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	486	1,037
<i>Effects of:</i>		
Expenses not deductible for tax purposes	150	134
Utilisation of tax losses	(71)	(84)
Adjustments to tax charge in respect of previous periods	(70)	-
	<hr/>	<hr/>
Total current tax charge (see above)	495	1,087
	<hr/>	<hr/>

8 Dividends

	Period ended 31 December 2003 £000	Year ended 30 June 2002 £000
Final paid (£ 1.11 per share) (2002: £1.75 per share)	1,500	2,364
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold properties £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost/valuation							
At 1 July 2002	2,173	138	1,361	618	696	165	5,151
Additions	-	-	-	-	55	42	97
Disposals	(268)	-	(290)	-	(41)	-	(599)
At 31 December 2003	1,905	138	1,071	618	710	207	4,649
Depreciation							
At 1 July 2002	35	100	1,085	572	448	146	2,386
Charge for the period	42	11	109	15	134	14	325
Released on disposal	(6)	-	(213)	-	(35)	-	(254)
At 31 December 2003	71	111	981	587	547	160	2,457
Net book value							
At 31 December 2003	1,834	27	90	31	163	47	2,192
At 30 June 2002	2,138	38	276	46	248	19	2,765

The net book value of fixed assets includes £38,000 (2002: £142,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the period on these assets was £71,000 (2002: £91,000).

The company's freehold land and buildings were valued at open market value on an existing use basis at £1,830,000, by Edward Rushton Son & Kenyon Limited, International Valuers and Surveyors on 29 November 1999 in accordance with RICS Statement of Asset Valuation Practice and Guidance Notes. The directors do not think that there has been a material change in the value of the freehold land and buildings, hence the valuation has not been updated.

Notes (continued)

10 Stocks

	31 December	30 June
	2003	2002
	£000	£000
Work in progress	25	30
Finished goods and goods for resale	17,776	17,320
	<hr/>	<hr/>
	17,801	17,350
	<hr/> <hr/>	<hr/> <hr/>

11 Debtors

	31 December	30 June
	2003	2002
	£000	£000
Trade debtors	2,883	4,154
Amounts owed by group undertakings	2,046	-
Other debtors	45	12
Prepayments and accrued income	454	639
	<hr/>	<hr/>
	5,428	4,805
	<hr/> <hr/>	<hr/> <hr/>

12 Creditors: amounts falling due within one year

	31 December	30 June
	2003	2002
	£000	£000
Obligations under finance leases and hire purchase contracts	14	65
Trade creditors	21,799	27,599
Amounts owed to group undertakings	2,581	2,690
Corporation tax	-	85
Group relief payable	565	663
Other taxes and social security	1,321	1,050
Other creditors	781	498
Accruals and deferred income	940	844
	<hr/>	<hr/>
	28,001	33,494
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	31 December 2003 £000	30 June 2002 £000
Obligations under finance leases and hire purchase contracts		
Due 1-2 years	12	104

Obligations under finance leases and hire purchase contracts are secured on the related assets.

	31 December 2003 £000	30 June 2002 £000
Within one year	14	65
One to two years	12	104
	26	169

14 Share capital

	31 December 2003 £000	30 June 2002 £000
<i>Authorised</i>		
1,350,000 ordinary shares of £1	1,350	1,350
<i>Called up, allotted and fully paid</i>		
1,350,000 ordinary shares of £1	1,350	1,350

15 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 July 2002	344	568
Profit for the period (page 5)	-	1,126
Dividends	-	(1,500)
Transfer of depreciation on revalued assets	(6)	6
At 31 December 2003	338	200

Notes (continued)

16 Reconciliation of movement in shareholders' deficit

	31 December 2003 £000	30 June 2002 £000
Profits for the period (page 5)	1,126	2,368
Dividend	(1,500)	(2,364)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(374)	4
Opening shareholders' funds	2,262	2,258
	<hr/>	<hr/>
Closing shareholders' funds	1,888	2,262
	<hr/>	<hr/>

17 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	31 December 2003		30 June 2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Annual commitments under leases expiring:				
Within one year	243	-	16	-
Between two to five years	53	5	261	5
	<hr/>	<hr/>	<hr/>	<hr/>
	296	5	277	5
	<hr/>	<hr/>	<hr/>	<hr/>

18 Contingent liabilities

The group has a one year rolling loan facility with UFJ Bank Nederland N.V that is repayable on demand. There are no fixed repayment terms and the facility is guaranteed by Hitachi Construction Machinery (Europe) N.V until 30 April 2011. Interest is payable at a rate of 4.46% per annum.

During the period, the former joint venture between Hitachi and Fiat-Hitachi ceased. HM Plant Limited was the UK dealer for Fiat-Hitachi machines. Fiat-Kobelco subsequently claimed breach of contract by HM Plant. The case reached the High Court in December 2003 and Fiat-Kobelco were ordered to settle HM Plant's legal costs. Fiat-Kobelco have since commence proceedings for arbitration in their claim for damages. A decision is not expected for approximately six months. The directors consider the case for HM Plant to be strong but have decided that further disclosure would seriously prejudice the company's position in respect of this case.

Notes (continued)

19 Pension scheme

Defined Contribution Plan

The company does not operate its own independent pension fund but operates a group personal pension scheme open to all employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £91,000 (2002: £63,000). Contributions totalling £7,000 (2002: £5,000) were payable to the fund at the period end and are included in creditors.

20 Ultimate parent company and controlling interest

The entire issued share capital of the company is held by Heavy Machinery Group Limited a company registered in England.

The ultimate parent undertaking as at 31 December 2003 is Heavy Construction Machinery Limited. This company is incorporated in England and Wales.

The highest company, in which the results of the Group are consolidated, is Heavy Construction Machinery Limited. Copies of the group financial statements are available from the company secretary, Heavy Construction Machinery Limited, 38 Castlefield Industrial Estate, Bridgwater, Somerset, TA6 4DH.

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.