

HM Plant Limited

**Directors' report and financial
statements**

Registered number 1082975

31 December 2004



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Company information

Directors

JJ Jones – Chairman
SR Hanney
SF Howard
DA Hearne
DN Hopkins
AJ Raine
BJ Warren

Secretary

AJ Raine

Auditors

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Registered Office

Monkton Business Park North
Hebburn
Tyne and Wear
NE31 2JZ

Solicitors

Addleshaw Goddard
Sovereign House
PO Box 8
Sovereign Street
Leeds
LS1 1HQ

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3P 3AH

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities

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

Results and dividends

The profit for the year after tax was £3,016,000 (2003: £1,126,000). A first and final dividend of £2,167,000 (2003: £1,500,000) was paid during the year.

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 year. Donations to UK charities amounted to £28,000 (2003: £17,000).

Directors and their interests

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

JJ Jones (Chairman)
SR Hanney (deceased 13 September 2005)
SF Howard
DA Hearne
DN Hopkins
AJ Raine
BJ Warren

It is with great regret that the directors report the sad loss of Mr Steven Hanney (Group Finance Director) who died on 13 September 2005.


No director had any interest in the share capital of the company at either the beginning or end of the year.

Messrs JJ Jones, SF Howard, DA Hearne and DN Hopkins are directors of the ultimate parent company, Heavy Construction Machinery Limited, and their interests in the shares and loan notes of group companies are disclosed in that company's financial statements. AJ Raine and BJ Warren are not directors of the ultimate parent company and they both held 19,622 £0.01 ordinary shares in Henry Construction Machinery Limited at both the beginning and end of the year.

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



AJ Raine
Director

Monkton Business Park North
Hebburn
Tyne & Wear
NE31 2JZ

21/10/2005

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

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

*Chartered Accountants
Registered Auditor*

21 October 2005

Profit and loss account
for the year ended 31 December 2004

	Note	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Turnover	2	99,561	119,855
Cost of sales		(89,291)	(108,370)
Gross profit		10,270	11,485
Administrative expenses		(5,988)	(6,981)
Distribution costs		(2,262)	(3,182)
Operating profit	3	2,020	1,322
Analysed as:			
Operating profit before exceptional expenses		2,530	1,322
Exceptional administrative expenses	3	(510)	-
Operating profit		2,020	1,322
Profit on sale of tangible fixed assets		1,568	25
Interest receivable and similar income	5	210	275
Interest payable and similar charges	6	-	(1)
Profit on ordinary activities before taxation		3,798	1,621
Tax on profit on ordinary activities	7	(782)	(495)
Profit for the financial year/ period		3,016	1,126
Equity dividends	8	(2,167)	(1,500)
Retained profit/(loss) for the year/period	16	849	(374)

There were no recognised gains or losses for either financial period other than those included above.
All results arose from continuing activities.

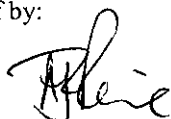
Note of historical cost profits and losses
for the year ended 31 December 2004

	£000	£000
Reported profit on ordinary activities before taxation	3,798	1,621
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	4	6
Realisation of property revaluation gains of previous years	223	-
Historical cost profit on ordinary activities before taxation	4,025	1,627
Historical cost profit/(loss) for the year retained after taxation and dividends	1,076	(368)

Balance sheet
at 31 December 2004

	<i>Note</i>	31 December 2004		31 December 2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		4,750		2,192
Current assets					
Stock	10	13,507		17,801	
Debtors	11	17,450		5,428	
Cash at bank and in hand		5,880		4,480	
		<u>36,837</u>		<u>27,709</u>	
Creditors: amounts falling due within one year	12	<u>(38,779)</u>		<u>(28,001)</u>	
Net current liabilities			(1,942)		(292)
Total assets less current liabilities			2,808		1,900
Creditors: amounts falling due after more than one year	13		-		(12)
Provisions for liabilities and charges	14		(71)		-
Net assets			<u>2,737</u>		<u>1,888</u>
Capital and reserves					
Called up share capital	15		1,350		1,350
Revaluation reserve	16		111		338
Profit and loss account	16		1,276		200
Equity shareholders' funds	17		<u>2,737</u>		<u>1,888</u>

These financial statements were approved by the board of directors on 21 October 2005 and were signed on its behalf by:



AJ Raine
Director

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 modified to include the revaluation of certain fixed assets. The company has applied the transitional rules contained in FRS15 *Tangible fixed assets* to retain previous valuations as the basis on which certain of these assets are held.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Heavy Construction Machinery Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Heavy Construction Machinery Limited, within which this company is included, can be obtained from the address given in note 21.

Fixed assets and 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, less the estimated residual value, of each asset over its expected useful life as follows:

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

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 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 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)

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 despatch for machines.

An analysis of turnover by geographical market is given below:

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
United Kingdom	90,234	114,160
Other European Countries	8,872	5,407
Other	455	288
	<u>99,561</u>	<u>119,855</u>

3 Profit on ordinary activities before taxation

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
<i>Profits on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration – audit fees	35	31
Depreciation on owned assets	175	254
Depreciation on leased assets	-	71
Operating lease charges - land and buildings	299	416
- other	456	649
Gains on foreign exchange	(261)	(172)
	<u></u>	<u></u>

In September 2004 the company relocated its head office and main distribution outlets to Tyne and Wear, incurring redundancy and relocation expenses of £510,000, which have been disclosed as exceptional administrative costs for the year.

Notes (continued)

4 Staff numbers, staff costs and directors' emoluments

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Staff costs including directors:		
Wages and salaries	4,073	5,287
Social security costs	348	596
Other pension costs (note 20)	48	91
	<hr/> 4,469 <hr/>	<hr/> 5,974 <hr/>
	Year ended 31 December 2004	18 month period ended 31 December 2003
Average number employed including directors:		
Office and management	92	94
Assembly	59	64
	<hr/> 151 <hr/>	<hr/> 158 <hr/>

Directors' emoluments

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Emoluments	153	246
Contributions to group personal pension schemes	14	15
	<hr/> 167 <hr/>	<hr/> 261 <hr/>
Number of directors who are members of a group personal pension scheme	<hr/> 2 <hr/>	<hr/> 2 <hr/>

In addition to the above 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

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Bank interest receivable	210	268
Other interest	-	7
	<u>210</u>	<u>275</u>

6 Interest payable and similar charges

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Bank overdraft and short term loan interest	-	1
	<u>-</u>	<u>1</u>

7 Taxation

	Year ended 31 December 2004 £000	£000	18 month period ended 31 December 2003 £000	£000
UK corporation tax				
UK corporation tax at 30% (2003: 30%)	711		565	
Adjustments in respect of prior periods	-		(70)	
	<u>711</u>		<u>565</u>	
Total current tax charge		711		495
Deferred tax (see note 14)				
Origination of timing differences	78		-	
Adjustments in respect of prior periods	(7)		-	
	<u>71</u>		<u>-</u>	
Total deferred tax		71		-
Tax on profit on ordinary activities		<u>782</u>		<u>495</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2003: higher) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,798	1,621
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	1,139	486
<i>Effects of:</i>		
Expenses not deductible for tax purposes	93	150
Gains rolled over on disposal of properties	(443)	-
Capital allowances in excess of depreciation	(83)	-
Other timing differences	5	-
Utilisation of tax losses	-	(71)
Adjustments to tax charge in respect of previous periods	-	(70)
	<hr/>	<hr/>
Total current tax charge (see above)	711	495
	<hr/>	<hr/>

8 Dividends

	Year ended 31 December 2004 £000	18 month period ended 31 December 2003 £000
Final paid (£1.61 per share) (2003: £1.11 per share)	2,167	1,500
	<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 or valuation							
At 1 January 2004	1,905	138	1,071	618	710	207	4,649
Additions	3,475	25	426	112	-	160	4,198
Disposals	(1,426)	(102)	(24)	-	(601)	-	(2,153)
At 31 December 2004	3,954	61	1,473	730	109	367	6,694
Depreciation							
At 1 January 2004	71	111	981	587	547	160	2,457
Charge for the year	8	29	52	9	61	16	175
Released on disposal	(59)	(102)	(20)	-	(507)	-	(688)
At 31 December 2004	20	38	1,013	596	101	176	1,944
Net book value							
At 31 December 2004	3,934	23	460	134	8	191	4,750
At 31 December 2003	1,834	27	90	31	163	47	2,192

The net book value of fixed assets includes £nil (2003: £38,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £nil (2003: £71,000).

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 Tangible Fixed Assets:

	2004 £000	2003 £000
Land and buildings		
At 1999 valuation	480	1,156
Aggregation depreciation thereon	(14)	(27)
Net book value	466	1,129
Historical cost of revalued assets	379	944
Aggregate depreciation based on historical cost	(24)	(153)
Historical cost net book value	355	791

The company's freehold land and buildings were valued at open market value on an existing use basis, by independent valuers 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 transitional provisions of FRS 15 *Tangible fixed assets* have been followed and the valuations have therefore not been updated. Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost.

Notes (continued)

10 Stocks

	31 December 2004 £000	31 December 2003 £000
Work in progress	206	25
Finished goods and goods for resale	13,301	17,776
	<u>13,507</u>	<u>17,801</u>

11 Debtors

	31 December 2004 £000	31 December 2003 £000
Trade debtors	8,798	2,883
Amounts owed by group undertakings	8,107	2,046
Other debtors	58	45
Prepayments and accrued income	487	454
	<u>17,450</u>	<u>5,428</u>

12 Creditors: amounts falling due within one year

	31 December 2004 £000	31 December 2003 £000
Obligations under finance leases and hire purchase contracts	-	14
Trade creditors	31,989	21,799
Amounts owed to group undertakings	3,676	3,146
Corporation tax	447	-
Other taxes and social security	835	1,321
Other creditors	858	781
Accruals and deferred income	974	940
	<u>38,779</u>	<u>28,001</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	31 December 2004 £000	31 December 2003 £000
Obligations under finance leases and hire purchase contracts	-	12
	<u> </u>	<u> </u>

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

	31 December 2004 £000	31 December 2003 £000
Within one year	-	14
One to two years	-	12
	<u> </u>	<u> </u>
	-	26
	<u> </u>	<u> </u>

14 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	-
Charge for the year	71
	<u> </u>
At end of year	71
	<u> </u>

The elements of deferred tax are as follows:

	2004 £000	2003 £000
Difference between accumulated depreciation and capital allowances	78	-
Other timing differences	(7)	-
	<u> </u>	<u> </u>
	71	-
	<u> </u>	<u> </u>

Notes (continued)

15 Share capital

	31 December 2004 £000	31 December 2003 £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

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of year	338	200
Profit for the year	-	849
Transfer	(227)	227
At end of year	111	1,276

17 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2004 £000	18 months period ended 31 December 2003 £000
Profit for the year	3,016	1,126
Dividends	(2,167)	(1,500)
Net addition to/(reduction in) shareholders' funds	849	(374)
Opening shareholders' funds	1,888	2,262
Closing shareholders' funds	2,737	1,888

Notes (continued)

18 Operating lease commitments

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

	31 December 2004		31 December 2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Annual commitments under leases expiring:				
Within one year	16	-	243	-
Between two to five years	132	5	53	5
Over five years	64	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	212	5	296	5
	<hr/>	<hr/>	<hr/>	<hr/>

19 Contingent liabilities

An unlimited bank guarantee exists between the company and its group members. The net amount outstanding at the year end was £nil (2003: £4,147,000).

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 LIBOR plus 0.5% per annum.

During 2002, 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 sought arbitration in their claim for damages, however, a final decision has not been reached. 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.

20 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 £48,000 (2003: £91,000). Contributions totalling £13,000 (2003: £7,000) were payable to the fund at the year end and are included in creditors.

21 Ultimate parent company and controlling interest

The ultimate parent undertaking at the end of the year is Heavy Construction Machinery Limited.

The only group in which the results of the Group are consolidated is that headed by Heavy Construction Machinery Limited. Copies of the group financial statements are available from the company secretary, Heavy Construction Machinery Limited, Unit 5, Monkton Business Park North, Hebburn, Tyne & Wear, NE31 2JZ.