

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31 March 2016

for

Hitachi Construction Machinery (UK)
Limited

Contents of the Financial Statements
for the Year Ended 31 March 2016

	Page
Company Information	1
Strategic Report	2
Report of the Directors	3
Report of the Independent Auditors	5
Income Statement	7
Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Hitachi Construction Machinery (UK)
Limited

Company Information
for the Year Ended 31 March 2016

DIRECTORS:

J J Jones
M Suc
M Kadoya
D A Hearne
H Yoshida
A Baker

SECRETARY:

A Shield

REGISTERED OFFICE:

Monkton Business Park North
Hebburn
NEWCASTLE
NE31 2JZ

REGISTERED NUMBER:

01082975 (England and Wales)

AUDITORS:

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

BANKERS:

The Royal Bank of Scotland
1 Trinity Gardens
2nd Floor
Broadchare
Quayside
Newcastle Upon Tyne
NE1 2HF

SOLICITORS:

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

Strategic Report
for the Year Ended 31 March 2016

The directors present their strategic report for the year ended 31 March 2016.

The period under review has proven to be more difficult than the previous recorded trading year, due to unexpected increase in material costs which directly impacted company performance resulting in reduced turnover and profit.

Turnover £149,997,000 (FY15 £162,991,000) : Profit before tax £5,155,000 (FY15 £9,822,000)

Continued uncertainty in global markets surrounding commodities and oil pricing has adversely impacted upon general confidence. Early indications of recovery in oil prices seen in recent months are expected to continue, lifting prices from their all time low. The board expect this to continue which would aid world trade in global economies, especially for those geographical regions which are dependent upon stronger commodity pricing. The current migrant crisis effecting the European Union is expected to continue to, undermine confidence. Despite which the board are cautiously optimistic about future performance.

The improved demand for construction equipment continues to spread from the South East region of the country towards the Midlands and South West regions. The directors anticipate these regions to continue to show moderate signs of improved demand with further infrastructure developments announced by the UK government.

In the coming financial year the directors expect trading conditions to be challenging due to increased competition from other manufacturers , although the directors anticipate the future release of new models with improved performance among mid-range excavators will be well received by the market and will have a positive impact on company performance for following trading year. The directors believe that the company's strategy to further develop new customer business, whilst continuing to support our existing customer base will be essential.

The company uses a number of financial and non-financial KPI's to measure company performance and these are reported on a continued basis both at board level and to managers during monthly meetings. These KPI's include; customer service level, complaints, sales plan achievement and a number of health and safety, environmental and employee related KPI's. The directors consider that the company has a very effective measurement and reporting framework, consistent with its size and complexity.

FINANCIAL RISKS AND MANAGEMENT OBJECTIVES

The company's financial instruments comprise of forward exchange contracts entered into in respect of purchases denominated in foreign currencies, together with cash, debtors and creditors. Management objectives of continued focus on customer requirements, effective delivery of improved services to customers, continued control of direct and indirect costs and improved product quality continue to be at the forefront of the company's principles.

Cash Flow Risk

The company invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility.

Credit Risk

The company has external debtors, however, the company manages credit risk by undertaking appraisals of customers in order to ensure that credit is extended to customers who are credit worthy, and unlikely to default.

Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generated by its operations.

ON BEHALF OF THE BOARD:

J J Jones - Director

30 June 2016

Report of the Directors
for the Year Ended 31 March 2016

The directors present their report with the financial statements of the company for the year ended 31 March 2016.

DIVIDENDS

The profit for the year, after taxation, was £4,125,000 (2015 - £7,723,000). An interim dividend was paid during the year of £17,183,000 (2015 - £4,144,000). The directors propose a final dividend of £2,062,500 in respect of this financial trading year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2015 to the date of this report.

J J Jones
M Sue
M Kadoya
D A Hearne
A Baker

Other changes in directors holding office are as follows:

A J Raine - resigned 22 September 2015
P H A Burger - resigned 15 June 2015
S Urata - resigned 4 March 2016
H Yoshida - appointed 15 June 2015
C Hirose - appointed 15 June 2015 - resigned 4 March 2016

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions during the year (2015 - £nil).

Donations to UK charities amounted to £38,781 (2015 - £17,375).

EMPLOYMENT MATTERS

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities, to continue wherever possible the employment of staff who became disabled and to provide opportunities for training and career development of disabled employees.

Frequent meetings are held with employees representatives to discuss sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters, which concern the employees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 judgements and accounting 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.

Report of the Directors
for the Year Ended 31 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J J Jones - Director

30 June 2016

Report of the Independent Auditors to the Members of
Hitachi Construction Machinery (UK)
Limited

We have audited the financial statements of Hitachi Construction Machinery (UK) Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. 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), including financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been properly 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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of
Hitachi Construction Machinery (UK)
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.

Darren Rutherford (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

30 June 2016

Hitachi Construction Machinery (UK)
Limited (Registered number: 01082975)

Income Statement
for the Year Ended 31 March 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
TURNOVER	3		149,997		162,991
Cost of sales			<u>137,501</u>		<u>145,510</u>
GROSS PROFIT			12,496		17,481
Distribution costs		1,569		1,702	
Administrative expenses		<u>5,828</u>		<u>6,034</u>	
			<u>7,397</u>		<u>7,736</u>
OPERATING PROFIT			5,099		9,745
Interest receivable from group undertakings			<u>57</u>		<u>88</u>
			5,156		9,833
Interest payable and similar charges	5		<u>1</u>		<u>11</u>
PROFIT ON ORDINARY ACTIVITIES					
BEFORE TAXATION	6		5,155		9,822
Tax on profit on ordinary activities	7		<u>1,030</u>		<u>2,099</u>
PROFIT FOR THE FINANCIAL YEAR			<u>4,125</u>		<u>7,723</u>

The notes form part of these financial statements

**Hitachi Construction Machinery (UK)
Limited (Registered number: 01082975)**

**Other Comprehensive Income
for the Year Ended 31 March 2016**

	Notes	2016 £'000	2015 £'000
PROFIT FOR THE YEAR		4,125	7,723
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>4,125</u></u>	<u><u>7,723</u></u>

The notes form part of these financial statements

Hitachi Construction Machinery (UK)
Limited (Registered number: 01082975)

Balance Sheet
31 March 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
FIXED ASSETS					
Tangible assets	9		4,398		4,178
CURRENT ASSETS					
Stocks	10	27,110		21,296	
Debtors	11	10,699		31,155	
Cash at bank and in hand		<u>3,893</u>		<u>6,368</u>	
		41,702		58,819	
CREDITORS					
Amounts falling due within one year	12	<u>34,110</u>		<u>37,893</u>	
NET CURRENT ASSETS			<u>7,592</u>		<u>20,926</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,990		25,104
PROVISIONS FOR LIABILITIES	14		<u>313</u>		<u>369</u>
NET ASSETS			<u>11,677</u>		<u>24,735</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,350		1,350
Retained earnings	16		<u>10,327</u>		<u>23,385</u>
SHAREHOLDERS' FUNDS			<u>11,677</u>		<u>24,735</u>

The financial statements were approved by the Board of Directors on 30 June 2016 and were signed on its behalf by:

J J Jones - Director

Hitachi Construction Machinery (UK)
Limited (Registered number: 01082975)

Statement of Changes in Equity
for the Year Ended 31 March 2016

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	1,350	19,806	21,156
Changes in equity			
Dividends	-	(4,144)	(4,144)
Total comprehensive income	-	7,723	7,723
Balance at 31 March 2015	<u>1,350</u>	<u>23,385</u>	<u>24,735</u>
Changes in equity			
Dividends	-	(17,183)	(17,183)
Total comprehensive income	-	4,125	4,125
Balance at 31 March 2016	<u>1,350</u>	<u>10,327</u>	<u>11,677</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 March 2016**

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE FRS 101

The financial statements of Hitachi Construction Machinery (UK) Limited for the year ended 31 March 2016 were authorised for issue by the board of directors on 30/06/2016 and the balance sheet was signed on the board's behalf by 30/06/2016. The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is Monkton Business Park North, Hebburn, Newcastle, NE31 2JZ. The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. The company's financial statements are presented in British sterling and all values are rounded to the nearest pounds (£) except where otherwise indicated. The results of Hitachi Construction Machinery (UK) Limited are included in the consolidated financial statements of Hitachi Construction Machinery Japan, which are available from <https://www.hitachicm.com/global/environment-csr/csr-en/download/>. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition reconciliations showing all material adjustments are disclosed in note 22.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. 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, or where the customer has paid for the goods but requested that the company hold the goods on their behalf for a short period of time.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at the cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 1.5% per annum
Short leasehold	- over the lease term
Plant and machinery	- 10% to 20% per annum
Fixtures and fittings	- 10% to 20% per annum
Motor vehicles	- 25% on cost per annum
Computer equipment	- 20% per annum

The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful economic lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:

Raw materials	- purchase cost on a first in first out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity less foreseeable losses.

Net realisable value is based on estimated selling price less any further costs to be incurred to completion and disposal.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is released or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities., the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result. The company uses forward currency contracts as hedges of its exposure to foreign currency risk. The fair value of these contracts is included on the balance sheet as a Financial asset or a Financial liability

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

2. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Operating lease income

Operating lease income is credited to the profit and loss account on a straight line basis over the duration of the related contracts.

Pensions

The company operates a defined contribution pension scheme. The company contributes to a private pension scheme for directors. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of tangible fixed assets.

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property, plant and equipment.

(b) Stock provisioning

The company distributes construction equipment, which is subject to changing demands. As a result, it is necessary to consider the recoverability of the cost of stock and the associated provisioning required.

When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the stock and associated provision.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2016 £'000	2015 £'000
United Kingdom	147,659	161,185
Europe	<u>2,338</u>	<u>1,806</u>
	<u>149,997</u>	<u>162,991</u>

4. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	6,275	6,033
Social security costs	716	706
Other pension costs	<u>191</u>	<u>230</u>
	<u>7,182</u>	<u>6,969</u>

The average number of employees during the period, including directors, was as follows:

	2016 No.	2015 No.
Office and management	87	70
Assembly	<u>42</u>	<u>40</u>
	<u>129</u>	<u>110</u>

For part of the year the directors were remunerated by a fellow group undertaking, Heavy Machinery Group Holdings Limited. Emoluments of £1,563,000 (2015 - £1,931,000) are largely for their services to this company. Of this amount, £725,000 was paid directly by Hitachi Construction Machinery (UK) Limited. In addition payments of £76,000 (2015 : £137,000) were made into the company pension scheme, of which £23,000 were paid directly by Hitachi Construction Machinery (UK) Limited. The emoluments of the highest paid director (including pension payments) were £706,000 (2015 : £756,000)

All other directors are remunerated by Hitachi Construction Machinery Europe (NV) and the directors believe that any emoluments received for services to this company are negligible.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable	-	4
Other interest	<u>1</u>	<u>7</u>
	<u>1</u>	<u>11</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2016 £'000	2015 £'000
Cost of inventories recognised as expense	137,501	145,510
Hire of plant and machinery	11	14
Depreciation - owned assets	449	408
Profit on disposal of fixed assets	(91)	(2)
Auditors remuneration	47	45
Operating lease charges - land and buildings	259	231
Exchange gains	<u>(283)</u>	<u>(391)</u>

7. TAXATION

Analysis of tax expense

	2016 £'000	2015 £'000
Current tax:		
Tax	1,086	2,119
Deferred tax	<u>(56)</u>	<u>(20)</u>
Total tax expense in income statement	<u>1,030</u>	<u>2,099</u>

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before income tax	<u>5,155</u>	<u>9,822</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 21%)	1,031	2,063
Effects of:		
Expenses not deductible for tax purposes	54	44
Adjustment to tax charge in respect of previous periods	1	(10)
Difference in tax rates	(55)	-
Timing difference	<u>(1)</u>	<u>2</u>
Tax expense	<u>1,030</u>	<u>2,099</u>

8. DIVIDENDS

	2016 £'000	2015 £'000
Ordinary shares of £1 each		
Interim	<u>17,183</u>	<u>4,144</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

9. TANGIBLE FIXED ASSETS

	Freehold property £'000	Short leasehold £'000	Plant and machinery £'000
COST			
At 1 April 2015	3,658	73	480
Additions	-	91	20
At 31 March 2016	<u>3,658</u>	<u>164</u>	<u>500</u>
DEPRECIATION			
At 1 April 2015	485	23	445
Charge for year	48	14	6
Eliminated on disposal	-	-	-
At 31 March 2016	<u>533</u>	<u>37</u>	<u>451</u>
NET BOOK VALUE			
At 31 March 2016	<u>3,125</u>	<u>127</u>	<u>49</u>
At 31 March 2015	<u>3,173</u>	<u>50</u>	<u>35</u>

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST				
At 1 April 2015	217	1,297	654	6,379
Additions	4	538	33	686
Disposals	-	(514)	-	(514)
At 31 March 2016	<u>221</u>	<u>1,321</u>	<u>687</u>	<u>6,551</u>
DEPRECIATION				
At 1 April 2015	172	826	250	2,201
Charge for year	6	283	92	449
Eliminated on disposal	-	(497)	-	(497)
At 31 March 2016	<u>178</u>	<u>612</u>	<u>342</u>	<u>2,153</u>
NET BOOK VALUE				
At 31 March 2016	<u>43</u>	<u>709</u>	<u>345</u>	<u>4,398</u>
At 31 March 2015	<u>45</u>	<u>471</u>	<u>404</u>	<u>4,178</u>

10. STOCKS

	2016 £'000	2015 £'000
Work-in-progress	595	434
Finished goods	<u>26,515</u>	<u>20,862</u>
	<u>27,110</u>	<u>21,296</u>

Stocks are stated after provisions for impairment of £585,961 (2015 - £663,397).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade debtors	7,974	14,164
Amounts owed by group undertakings	1,794	16,737
Other debtors	619	8
Fair value of forward contracts (note 19)	107	-
Prepayments and accrued income	205	246
	<u>10,699</u>	<u>31,155</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	3,521	2,277
Amounts owed to group undertakings	25,403	29,058
Tax	621	1,134
Social security and other taxes	2,609	3,980
Other creditors	100	113
Accruals and deferred income	1,856	1,331
	<u>34,110</u>	<u>37,893</u>

Trade creditors are non interest bearing and are normally settled on 30 day terms.

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£'000	£'000
Within one year	196	160
Between one and five years	885	711
In more than five years	670	729
	<u>1,751</u>	<u>1,600</u>

14. PROVISIONS FOR LIABILITIES

	2016	2015
	£'000	£'000
Deferred tax	<u>313</u>	<u>369</u>

	Deferred tax £'000
Balance at 1 April 2015	369
Credit to Income Statement during year	(56)
Balance at 31 March 2016	<u>313</u>

Deferred tax comprises deferred tax on rolled over gains of £316,000 (2015 - £371,000) less other timing differences of £3,000 (2015 - £2,000).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2016**

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £'000	2015 £'000
1,350,000	Ordinary	£1	<u>1,350</u>	<u>1,350</u>

16. RESERVES

Share capital

This reserve represents the capital investment by the parent undertaking.

Retained earnings

This reserve represents the cumulative comprehensive income recognised in the company, less any dividends paid.

17. PENSION COMMITMENTS

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 £190,765 (2015 - £92,644). Contributions totalling £19,306 (2015 - £12,958) were payable to the fund at the year end and are included in creditors.

18. CONTINGENT LIABILITIES

The group has a one year rolling facility of £10,000,000 with Hitachi Limited Treasury Department that is repayable on demand. There are no fixed repayment terms and interest is in consideration of market rate.

Under certain contractual arrangements the company may have an option to buy back equipment from its customers, once that equipment has served its purpose, typically after 3 years. The company potential buy-back commitment in such circumstances will depend on the condition of the equipment. The directors are of the opinion that despite being unable to reliably estimate such potential buy-back amounts, these arrangements do not constitute any net liability to the company, since in normal circumstances the equipment can be re-sold at no net cost to the company.

19. OTHER FINANCIAL COMMITMENTS

The group has derivative financial instruments, being forward foreign exchange contracts as at 31 March 2016 with an estimated value of £948,000 (2015 - £1,562,000). The fair value of the forward foreign exchange contracts is recorded on the balance sheet (note 11).

20. RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Heavy Construction Machinery (Europe) NV and has taken advantage of the exemption conferred by Financial Reporting Standard 101 with reference to IAS24 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

During the year, the group purchased parts, on an arm's length basis, with a purchase value of £104,600 (2015 - £165,980) and made sales on an arms length basis with a sales value of £4,366 (2015 - nil) from/to LDH Attachments Limited, an entity in which D Hearne's wife is the proprietor. £9,000 (2015 - £12,000) was due to the entity and £90 (2015 - nil) was due from the entity at 31 March 2016.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2016

21. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking and controlling party is Hitachi Construction Machinery (Europe) NV, who are owned by Hitachi Construction Machinery Limited in Japan. On 05/01/2016 Hitachi Construction Machinery (Europe) NV acquired 100% of the share capital of the company from Heavy Machinery Group Limited, which was the immediate UK parent and controlling party up until that date.

Hitachi Construction Machinery Limited are owned 50+% by Hitachi Limited with a remainder of the shares open to the public through their listing on the stock exchange. Hitachi Limited is therefore the ultimate parent undertaking.

22. TRANSITION TO FRS 101

The company transitioned to FRS 101 from previously extant UK GAAP as at 1 April 2014.

The impact from the transition to FRS 101 is as follows:

Reconciliation of reserves at 1 April 2014

	2014 £'000
Reserves at 1 April 2014 under previous UK GAAP	21,547
Recognition of deferred tax on rolled over gains	(391)
Reserves at 1 April 2014 under FRS 101	<u>21,156</u>

Reconciliation of reserves at 31 March 2015

	2015 £'000
Reserves at 31 March 2015 under previous UK GAAP	25,106
Recognition of deferred tax on rolled over gains	(371)
Reserves at 31 March 2015 under FRS 101	<u>24,735</u>

Reconciliation of the income statement for the year ended 31 March 2015

	2015 £'000
Reserves at 31 March 2015 under previous UK GAAP	7,703
Recognition of deferred tax on rolled over gains	20
Reserves at 31 March 2015 under FRS 101	<u>7,723</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.