Registered Number: 01082975 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements

for the Year Ended 31 March 2020

for

Hitachi Construction Machinery (UK) Limited

Hitachi Construction Machinery (UK) Limited

Contents of the Financial Statements for the Year Ended 31 March 2020

Hitachi Construction Machinery (UK) Limited

Company Information for the Year Ended 31 March 2020

Directors:	D Roberts M Sue M Yamazawa K Aoyama
SECRETARY:	A Shield
REGISTERED OFFICE:	Monkton Business Park North Hebburn Newcastle NE31 2JZ
REGISTERED NUMBER:	01082975 (England and Wales)
AUDITOR:	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

Hitachi Construction Machinery (UK) Limited

Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the Year Ended 31 March 2020.

Despite a decline in market demand during the trading period under review, the company realised record turnover amounting to £247,047,000 (FY19 £236,757,000). The company continued to experience increased pressure in relation to adverse movement in foreign exchange currencies and commodity pricing which resulted in increased material cost, and diluted gross margins. Profit before tax: £6,452,000 (FY19 £6,992,000).

Uncertainty surrounding the UK's vote to leave the European Union (Brexit) and future trading agreements continued to weigh on market confidence for the majority of the year. However, signs of stabilisation and improved market sentiment were recognised after the UK government election in December and completion of Brexit at the end of January, and this had a positive effect on demand in the latter part of the financial year. Growth was driven by improved market share especially in mid size excavators, and continued expansion of the aftersales and used equipment divisions.

In the short-term the board anticipates that COVID-19 will cause disruption to our services and customer base, due to the establishment of social distancing rules. The health and welfare of our employees, customers and suppliers remain our top priority. During this period the company will remain operational providing services as a key service provider to our customers (including critical services). Despite the uncertainty surrounding the impact that COVID-19 will have on the next trading year, the board remain confident that the business will be able to adapt and are optimistic that market demand will return during the financial year. Further information can be found in Note 2 of this report.

The business success will continue to be underpinned by providing high quality machines, with excellent support as well as developing new income streams through new products and innovations. We will continue to provide and enhance a safe and open culture allowing our employees to thrive. These values will allow the business to retain and develop relationships with it's existing loyal customers, as well as grow the business through acquisition of new customers.

The company uses a number of financial and non-financial KPI's to measure company performance and these continue to be reported both at board level and to managers during regular meetings. These include a number of health and safety, environmental, and employee related KPI's. In addition, customer service levels, complaints, and sales plan achievement are all monitored. The directors consider that the company has an effective measurement and reporting framework, which is consistent with its size and complexity.

Financial Risk 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:

....

D Roberts - Director
11 December 2020

Hitachi Construction Machinery (UK) Limited

Report of the Directors for the Year Ended 31 March 2020

The directors present their report with the financial statements of the company for the Year Ended 31 March 2020.

DIVIDENDS

The profit for the year, after taxation, was £5,070,000 (2019 - £5,591,000) A final dividend payment of £4,539,773 was made in respect of the previous trading year The directors propose a final dividend of £4,061,994 in respect of this financial trading year

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

D Roberts
M Yamazawa
K Aoyama

Other changes in directors holding office are as follows·

M Sue - resigned 28 October 2019

GOING CONCERN

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of a severe but plausible downside scenario for COVID-19. The major variables are the depth and duration of COVID-19, and the impact on the construction industry in which the company operates The directors have considered the impact of the current COVID-19 environment for the next accounting period and beyond. Whilst the situation continues to evolve, the board regularly update cashflow and financial scenarios and have considered a number of impacts on financial performance including sales, profits and cash-flows

Whilst the virus may impact the company across all of its stakeholders, the board anticipate that any postponement or cancellation of customer orders will result in lost volumes, which will have a negative impact on profitability and may require significant action in relation to operational cost reductions. However, scenario modelling would indicate that the company will remain profitable over the period to 31 December 2021, with a return to previous levels of profitability expected in the medium term In the short term the board anticipates increased pressures on liquidity, due to lower volumes and increased inventory This will be managed through existing cash balances and facilities available to it from its parent company or the Hitachi Group, as well as flexibility over the settlement of intercompany trading balances, for which written parental support has been obtained The directors are satisfied that its parent companies are able to extend this support

The directors believe that the company is well placed to manage business risks adequately and have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. The board therefore consider that in the absence of any material uncertainties, it is appropriate to adopt the going concern basis in the preparation of these financial statements

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions during the year (2019 - £nil)

Donations to UK charities amounted to £3,106 (2018 - £4,722)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements (incorporating the Strategic Report and the Report of. the Report of the Directors) 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

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

Section 172(1) Statement

The following Section 172 statement which is required by the Companies Act 2006 describes how the Directors have had regard to the matters set out in section 172 (1a to 1f) and forms the director's views of the Company's stakeholders in their decision making.

Employees

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

The company considers the welfare and engagement of its employees to be a critical factor in its success and is committed to consulting employees or their representatives on a regular basis so that the views of employees can be taken into account when making decisions which are likely to affect their interests

How we engage

During the financial year the company established an employee forum made up of representatives from across the business to further improve communication channels, subsequently enhancing employee engagement Opportunity is given at these meetings for senior executives to be questioned about matters, which concern the employees

What matters to them

Our employees are looking for a safe workplace that gives job security, opportunities for development & progression, challenging roles with excellent support and communication

What are we doing

The company operates an employee survey every two years, the results of which are communicated throughout the organisation. With regular tool-box talks, operational and departmental meetings, the health, safety and the wellbeing our employees, stakeholders and the environment in which we operate remain at the forefront of our business operations. The company operates an annual appraisal and feedback program for all employees

Customers and Suppliers

Customers and suppliers form a fundamental part of our business success Our customer base is formed of both group and third-party customers from construction related industries Our suppliers can be grouped into two main areas, those involved in providing engineered goods and services, and those involved in providing operational and establishment support services.

How we engage
We engage with customers and suppliers through cross divisional working group initiatives that are achieved through strategic and regional management

What matters to them
Our customers require the company to provide safe, high quality, durable and reliable products competitively, on time, anywhere in the UK & Ireland Then, during the term of ownership, new and used equipment owners need local, reliable and responsive aftersales support for routine maintenance and repairs. Both of the above factors contribute to a low total cost of ownership The company only trades with the highest quality supply partners Having met the criteria to be an approved vendor, our suppliers need us to be a safe, reliable, trusted and consistent customer We provide them with robust supply agreements and planned requirement schedules whenever possible, paying on time and in full where goods and services have been fulfilled to order

What are we doing
During the financial year the Company increased and enhanced it's resources in both sales and product support to ensure the group strategy of Customer Interest First is met It also reinforced its due diligence of its supply chain, with the aim of delivering improved quality and performance of our products and services to our customers.

Investors
The Company is privately owned with all shares being held internally within the Hitachi Construction Machinery Group Strategic decisions and operational matters related to the company are made by the board which includes representatives of the Hitachi Construction Machinery Group

Energy and Carbon Reporting
The company is committed to reducing its GHG emissions, and as part of the Hitachi Group we are working towards achieving the environmental targets set by Hitachi, Ltd

Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. In line with the guidance on SECR we have included the energy and emissions for the buildings we own and operate (those within our financial control boundary) and also those where we lease facilities and are responsible for the energy consumption (but which are outside our financial control)

We have used the latest Defra emissions factors, and our gross emissions total in the table applies the 'location based' accounting methodology for grid emissions We have also shown the net benefit of our renewable energy procurement via our suppliers, applying the 'market-based' accounting methodology, which is included in our net emissions total

We have chosen the intensity measure gross scope 1 and 2 emissions in tCO2e per square meter as our activity is predominantly office based

Energy Consumption	**FY 2019**	**Units**
Total Electricity	699,175	kWh
Total Gas	1,116,022	kWh
Total Fuel	672,422	kWh

Emissions		
Scope 1		
Emissions from combustion of gas	205,181	kgCO2e
Emissions from combustion of fuel for transport purposes - company owned	175,355	kgCO2e
Scope 2/3		
Emissions from purchased electricity (location based)	178,709	kgCO2e
Scope 3		
Total gross CO2e based on above	**559,244**	kgCO2e
intensity ratio tCO2e gross/m2	0 02	tCO2e gross/m2

Hitachi Construction Machinery (UK)
Limited

Report of the Directors (Continued)
for the Year Ended 31 March 2020

Energy efficiency action taken
The company has implemented a number of energy efficiency measures during the accounting period, including; the installation of LED lighting throughout our head office and production facility, installation of LED lighting at some of our other business locations. We have revised our company vehicle policy to limit CO2 emission for company car drivers and introduced electric and hybrid vehicles into our vehicle fleet.

What are we doing
The company will continue to effectively manage our energy usage through our Energy Management Committee, adherence to ESOS reporting criteria and ISO 50001 accreditation. The company will continue to identify areas to improve energy efficiency in the proceeding reporting period.

Principal Decisions
During the year the following are a selection of the principal decisions made by the board:
- Further developments to the company's product support business was made, including increased headcount and the relocation of a number of staff from existing business locations to enhanced facilities.
- A salary increase was agreed across all operational units effective 01 April 2019.
- The company established new vision, mission and value statements to underpin its business operations.
- A new three-year business plan was agreed in line with Hitachi Construction Machinery group initiatives.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR
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 auditor is 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 auditor is aware of that information.

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

ON BEHALF OF THE BOARD:

....
D Roberts - Director

Date: 11 December 2020

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

Opinion

We have audited the financial statements of Hitachi Construction Machinery (UK) Limited for the year ended 31 March 2020 which comprise the Income Statement, the Statement of other comprehensive income, the Balance Sheet, the statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst + Young LLP

Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle Upon Tyne
Date: 11 December 2020

Hitachi Construction Machinery (UK) Limited

Income Statement for the Year Ended 31 March 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
TURNOVER	3		247,047		236,757
Cost of Sale			231,567		221,256
GROSS PROFIT			15,480		15,501
Distribution Costs		2,491		2,157	
Administrative Expenses		6,554		6,409	
			9,045		8,566
OPERATING PROFIT			6,435		6,935
Interest receivable from group undertakings			43		57
Interest paid - leases	12		(26)		-
PROFIT BEFORE TAXATION	5		6,452		6,992
Tax on profit	6		1,382		1,401
PROFIT FOR THE FINANCIAL YEAR			5,070		5,591

All of the above activities are continuing

The notes form part of these financial statements

Statement of Other Comprehensive Income for the Year Ended 31 March 2020

	2020 £000	2019 £000
PROFIT FOR THE YEAR	5,070	5,591
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,070	5,591

Hitachi Construction Machinery (UK) Limited

The notes form part of these financial statements

Balance Sheet
31 March 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
FIXED ASSETS					
Tangible assets	8		5,361		4,846
Right of use assets	12		2,454		-
			7,815		4,846
CURRENT ASSETS					
Stocks	9	44,283		46,974	
Debtors: amounts falling due within one year	10	30,327		42,540	
Cash at bank and in hand		8,492		9,195	
		83,102		98,709	
CREDITORS					
Amounts falling due within one year	11	71,142		86,290	
NET CURRENT ASSETS			11,960		12,419
TOTAL ASSETS LESS CURRENT LIABILITIES			19,775		17,265
Amounts falling due over one year	12		2,002		
PROVISIONS FOR LIABILITIES	13		332		263
NET ASSETS			17,441		17,002
CAPITAL AND RESERVES					
Called up share capital	14		1,350		1,350
Retained earnings	15		16,091		15,652
SHAREHOLDERS' FUNDS			17,441		17,002

The financial statements were approved by the Board of Directors on 11 December 2020 and were signed on its behalf by:

....

D Roberts - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 March 2020

	Called up Share capital £000	Total earnings £000	Retained equity £000
Balance at 1 April 2018	1,350	11,787	13,137
Changes in equity			
Dividends	-	(1,726)	(1,726)
Total comprehensive income	-	5,591	5,591
Balance at 31 March 2019	1,350	15,652	17,002
Changes in equity			
Dividends	-	(4,540)	(4,540)
Effect of adoption of IFRS 16 Leases (Note 12)		(91)	(91)
Total comprehensive income	-	5,070	5,070
Balance at 31 March 2020	1,350	16,091	17,441

Notes to the Financial Statements
for the Year Ended 31 March 2020

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

The financial statements of Hitachi Construction Machinery (UK) Limited for the Year Ended 31 March 2020 were authorised for issue by the board of directors on 11 December 2020 and the balance sheet was signed on the board's behalf by D Roberts 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, Tyne and Wear, NE31 2JZ The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) 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 (£000) 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/investor-relations The principal accounting policies adopted by the company are set out in note 2

2. ACCOUNTING POLICIES

Going concern

The directors have adopted the going concern basis in preparing these financial statements after assessing the principal risks and having considered the impact of a severe but plausible downside scenario for COVID-19 The major variables are the depth and duration of COVID-19, and the impact on the construction industry in which the company operates. The directors have considered the impact of the current COVID-19 environment for the next accounting period and beyond Whilst the situation continues to evolve, the board regularly update cashflow and financial scenarios and have considered a number of impacts on financial performance including sales, profits and cash-flows.

Whilst the virus may impact the company across all of its stakeholders, the board anticipate that any postponement or cancellation of customer orders will result in lost volumes, which will have a negative impact on profitability and may require significant action in relation to operational cost reductions However, scenario modelling would indicate that the company will remain profitable over the period to 31 December 2021, with a return to previous levels of profitability expected in the medium term In the short term the board anticipates increased pressures on liquidity, due to lower volumes and increased inventory This will be managed through existing cash balances and facilities available to it from its parent company or the Hitachi Group, as well as flexibility over the settlement of intercompany trading balances, for which written parental support has been obtained The directors are satisfied that its parent companies are able to extend this support.

The directors believe that the company is well placed to manage business risks adequately and have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. The board therefore consider that in the absence of any material uncertainties, it is appropriate to adopt the going concern basis in the preparation of these financial statements

2. ACCOUNTING POLICIES - continued

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

The company has prepared its financial statements in accordance with FRS 101 for all periods presented

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, and
- paragraph 73(e) of IAS 16 Property, Plant and Equipment,
- 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 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Tangible fixed assets
Tangible fixed assets are stated at 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

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 2020

2. ACCOUNTING POLICIES - continued

IFRS 15
In 2019, all income streams were reviewed against the requirements of IFRS 15 Revenue from Contracts with Customers and the review concluded that the current accounting policies were compliant with IFRS 15

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

IFRS 9 Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial assets include trade receivables and cash and cash equivalents The company does not have any derivatives, guarantees or external debt / loans.

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 their original invoiced amount less expected credit losses Where the time value of money is material, receivables are carried at amortised cost Provision for impairment is made through profit or loss based on historic average of impairments multiplied by the balance of trade debtors Balances are written off when the probability of recovery is assessed as being remote

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 it is probable 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 realised 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 sometimes 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

2. ACCOUNTING POLICIES - continued

IFRS 16
The company adopted IFRS16 "Lease Contracts" from April 1, 2019 As part of the company's national coverage in sales, parts and services the company rents a number of locations around the UK The rental agreements within the scope of application of IFRS16 also concern vehicles and tooling Previously each lease contract was qualified as either finance lease, or as operating lease, with accounting treatment appropriate for each category.

In application of IFRS16, all lease contracts are recognised in right-of-use assets and in lease liabilities by a debt corresponding to the discounted value of future payments Lease term is defined on a contract-by contract basis and corresponds to the firm period of the commitment, taking into consideration any option periods that are reasonably certain to be exercised

Discount rates applied to future lease payment are assessed on the length of the remaining lease term The Company's weighted average incremental borrowing rate applied to lease liabilities was 1 83%

The transition method used consists in recognising the cumulative effect of the initial application as an adjustment on opening equity, by considering that the right-of-use of the underlying asset is equal to the amount of lease liability, adjusted by the amount of rents paid in advance, as well as any incentives from the landlord The contractual rents in relation to low unit value assets or to short a short-term lease (less than 12 months) are recognised directly as an expense In addition, the following practical expedients have been applied to the transition

- contracts with a residual term of less than 12 months starting from April 1, 2019, are not accounted for as an asset and debt, and are charged to the income statement on a straight-line basis over the period of the lease,
- the discount rates applied as of the transition date are based on average yield of bonds issued and outstanding in the same industry and with the same rating as the company's ultimate controlling party These discount rates are determined with respect to the remaining terms of leases from the date of time-time application

The following table shows the reconciliation of operating lease commitments under IAS17 to lease liabilities under IFRS 16 on 01 April 2019

	2020
	£000
Operating lease commitments disclosed as at 31 March 2019	1,240
Less Contracts reassessed as lease agreements	(67)
Lease liabilities recognised as at 01 April 2019	1,173

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.

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

2. ACCOUNTING POLICIES - continued

(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 9 for the net carrying amount of the stock and associated provision.

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

	2020	2019
	£000	£000
United Kingdom	244,273	233,070
Europe	2,774	2,819
Other	-	868
	247,047	236,757

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£000	£000
Wages and salaries	8, 040	7,324
Social security costs	894	810
Other pension costs	575	200
	9,509	8,334

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

	2020	2019
	No	No.
Office and management	114	104
Assembly	64	59
	178	163

Directors emoluments of £403,000 (2019 £478,000) are for their services to Hitachi Construction Machinery (UK) Limited. In addition, payments of £27,000 (2019 £26,000) were made into a company pension scheme. The emoluments of the highest paid director (including pension payments) were £351,000 (2019 £352,000)

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. PROFIT BEFORE TAXATION

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

	2020 £000	2019 £000
Cost of inventories recognised as expense	226,863	216,387
Hire of plant and machinery	5	4
Depreciation - owned assets	853	720
Depreciation - ROU	284	-
Profit on disposal of fixed assets	(51)	(58)
Auditors remuneration	61	59
Operating lease charges - land and buildings	49	230
Exchange losses	161	84

6. TAXATION

Analysis of tax expense

	2020 £000	2019 £000
Current Tax		
Tax	1,312	1,406
Deferred Tax	70	(5)
Total tax expense in income statement	1,382	1,401

Factors affecting the tax expense

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The difference is explained below

	2020 £000	2019 £000
Profit before income tax	6,452	6,992
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,226	1,328
Effects of		
Expenses not deductible for tax purposes	145	72
Adjustments to tax charge in respect of previous periods	(18)	-
Deferred tax previously unrecognised	-	-
Tax rate changes	29	1
Tax expense	1,382	1,401

7. DIVIDENDS

	2020 £000	2019 £000
Ordinary Shares of £1 each		
Interim paid in respect of previous trading year	4,540	1,726

Dividend per share	£3 36	£1 28

8. TANGIBLE FIXED ASSETS

	Right-of-use assets	Freehold property £000	Short leasehold £000	Plant and Machinery £000
COST				
At 1 April 2019	-	3,658	239	659
Additions	1,658	17	353	105
Adoption of IFRS 16	1,829	-	-	-
Disposals	-	-	-	-
At 31 March 2020	3,487	3,675	592	764
DEPRECIATION				
At 1 April 2019	-	674	84	497
Charge for year	284	49	47	27
Adoption of IFRS 16	749	-	-	-
Eliminated on disposal	-	-	-	-
At 31 March 2020	1,033	723	131	524
NET BOOK VALUE				
At 31 March 2020	2,454	2,952	461	240
At 31 March 2019	-	2,984	155	162

	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Totals £000
COST				
At 1 April 2019	235	2,075	973	7,839
Additions	35	769	177	3,114
Adoption of IFRS 16	-	-	-	1,829
Disposals	-	(498)	-	(498)
At 31 March 2020	270	2,346	1,150	12,284
DEPRECIATION				
At 1 April 2019	195	919	624	2,993
Charge for year	7	500	215	1,129
Adoption of IFRS 16	-	-	-	749
Eliminated on disposal	-	(402)	-	(402)
At 31 March 2020	202	1,017	839	4,469
NET BOOK VALUE				
At 31 March 2020	68	1,329	311	7,815
At 31 March 2019	40	1,156	349	4,846

9. STOCKS

	2020 £000	2019 £000
Work-in-progress	1,215	825
Finished goods	43,068	46,149
	44,283	46,974

Stocks are stated after provisions for impairment of £518,051 (2019 - £565,421)

10. DEBTORS

	2020 £000	2019 £000
Trade Debtors	13,901	20,918
Amounts owed by group undertakings	15,721	20,633
Tax	153	-
Fair value of forward contracts (note 18)	66	-
Other debtors	9	1
Prepayments and accruals	477	988
	30,327	42,540

Trade debtors is stated after a provision for doubtful debts of £42k.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £000	2019 £000
Trade creditors	5,281	5,185
Amounts owed to group undertakings	60,162	78,376
Tax	-	741
Social security and other taxes	4,304	347
Other creditors	443	671
Fair value of forward contracts (note 18)	-	-
Accruals and deferred income	449	970
Lease liabilities Current (note 12)	502	-
	71,141	86,290

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

12. LEASES

Leases – Company as lessee

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

	Land and Buildings £000	Plant and Machinery £000	Motor Vehicles £000	Total £000
As at 01 April 2019	994	86	-	1,080
Additions	1,424	9	225	1,658
Depreciation expense	(233)	(22)	(29)	(284)
As at 31 March 2020	2,185	73	196	2,454

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 £000
As at 01 April 2019	1,173
Additions	1,663
Accreditation of interest	26
Payments	(358)
As at 31 March 2020	2,504
Current	502
Non-current	2,002

The company has lease contracts for various offices, warehouses, equipment and tools used in the operations The amounts recognised in the financial statements in relation to the leases are as follows

	2020 £000
Depreciation expense of ROU assets	284
Interest expense on lease liabilities	26
Expense relating to short term leases	50
Variable lease payments (included in cost of sales)	45
Year ended 31 March 2020	405

The total cash outflow for leases during 2020 was £358,000 (2019 £221,000).

13. DEFERRED TAX ASSETS / LIABILITIES

	2020 £000	2019 £000
Provision at start of period	263	268
Deferred tax credit to income statement for the period	69	(5)
Provision at end of period	332	263
Fixed Assets	(12)	(51)
Gains	353	317
Other	(9)	(3)
Provision at end of period - liability	332	263

Unrecognised Deferred Tax – Fixed	-	-

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value.	2020 £000	2019 £000
1,350,000	Ordinary Shares	£1	1,350	1,350

15. 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.

16. 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 £574,559 (2019 - £200,475) During the year the company introduced a Salary Sacrifice pension scheme, whereby all pension contributions are made as employer contributions. Contributions totalling £49,518 (2019 - £26,680) were payable to the fund at the year end and are included in creditors

17. OTHER COMMITMENTS

The Company has a one year rolling borrowing 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 The balance owing on this facility at 31 March 2020 was £Nil (2019 £Nil).

18. OTHER FINANCIAL COMMITMENTS

The group has derivative financial instruments, being forward foreign exchange contracts as at 31 March 2020 with an estimated value of £1,400,000 (2019 £250,000) The fair value of the forward foreign exchange contracts is recorded on the balance sheet (note 10)

19. RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of Hitachi 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

20. 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

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