

HM Plant Limited

Report and Financial Statements

31 December 2007

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25/09/2008

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COMPANIES HOUSE

HM Plant Limited

Registered No 1082975

Directors

J J Jones (Chairman)

DA Heame

A J Raine

M Mori

A S Baker

K Kanomata

M Yamada

M Tabei

P H A Burger

Secretary

A J Raine

Auditors

Ernst & Young LLP

Citygate

St James' Boulevard

Newcastle upon Tyne

NE1 4JD

Bankers

Barclays Bank plc

54 Lombard Street

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Solicitors

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Registered Office

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Hebburn

Tyne and Wear

NE31 2JZ

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year, after taxation, was £5,639,000 (2006 £2,580,000) A dividend of £3,250,000 (2006 £3,364,000) was paid during the year

Principal activities

HM Plant is a wholly owned subsidiary of Heavy Construction Machinery Limited and is engaged in the distribution of construction equipment and the distribution and servicing of diesel engines

Business Review

Introduction

HM Plant Limited is at the forefront of capital equipment distribution in the United Kingdom and Eire It has the exclusive importation and distribution rights for Hitachi Construction equipment who are well known globally The company has a large customer base, which includes owner operators, private and public companies in the UK, and Eire UK turnover during the year accounted for 94.4% of revenues (2006 91.7%) and exports accounted for 5.6% of turnover (2006 8.3%)

On 26 April 2007, Hitachi Construction Machinery (Europe) NV acquired the remaining 70% shareholding of the ultimate parent company Heavy Construction Machinery Limited from the Management, thus making the company a wholly owned subsidiary of Hitachi Construction Machinery (Europe) NV

Objectives of the Company

The company's main objective is to be the best supplier of quality Construction Equipment in the UK and Eire

Strategy

This is the third full year of trading since the relocation of the company's head office to a purpose built facility to improve the overall business performance The key elements of this strategy have been to

- Focus on customer needs, service and delivery,
- Improve operational efficiency and reducing company operating costs by embracing new technology,
- Reduce assembly costs by re-engineering value added components whilst maintaining the overall product quality, and
- Reduce transportation costs by locating the assembly plant close to the East Coast docks for reduced shipping costs and road haulage transportation

Directors' report

Business Review (continued)

Performance

The year under review has proved to be a very successful year with year on year sales growth 34.1% due to the worldwide demand for Hitachi Construction equipment. During the year the company continued its strategy of investment in after sales support with a 20% increase in mobile field service engineers.

The company's balance sheet also continues to strengthen and the company has invested in both new equipment and spare parts stocks in order to provide improved service levels to our customers with shorter delivery times.

During 2007 the company opened a new depot in Swansea to provide improved customer support in this regional area.

Measurement

The company uses a number of financial and non-financial KPI's to measure performance and these are reported both at board level and to managers in monthly briefings. These KPI's include customer service level, complaints, production plan attainment, sales plan achievement and a number of health & safety, environmental and employee related KPI's. The board considers that the company has a very effective measurement and reporting system, consistent with its size and complexity.

As far as financial performance is concerned the key measurements used by the company are turnover and gross profit percentage, calculated as reported on the face of the profit and loss account. For the year under review, turnover was £139,012,000 (2006: £103,660,000) and the gross profit percentage was 12.2% (2006: 11.4%).

Management also monitor sales per employee, gross profit per employee and absorption ratio, which is defined as the gross profit from the after sales activity as a percentage of the company's total overheads.

Risk and Uncertainties

The major risk facing the company in today's market is the financial uncertainty in the financial markets due to the sub prime loan losses. The directors expect this to become more difficult in 2008 whilst the housing market realigns itself to the new levels of value.

The company operates in a very competitive market place where its customers are continually focused on value for money. The main ongoing risk facing the company in this environment is its ability to manage its own costs and remain competitive.

The advancement of Hitachi's technology has enabled the equipment to increase productivity with reduced whole life cost, thus ensuring the company maintains its competitiveness in the market.

Directors' report

Business Review (continued)

Forward Looking Information

In the coming financial year the directors expect trading conditions to become difficult with increasing pressures on material and fuel costs together with a tightening of credit facilities from banks and finance companies. The directors anticipate increased competition from other manufacturers in what is at best going to be a static market.

However, the company's order book remains strong, and our strategy to develop the after sales market, and cost control will ensure the company remains competitive in 2008.

The directors are confident that these continuing changes will place the company in a strong position to deliver the best result for 2008 in a highly competitive market place.

The directors expect the company's position to remain very competitive with the launch of several new models and that customers expectations in the reduced cost of ownership of the capital equipment will remain strong.

Financial risk management policy

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.

The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate 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 undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk

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

Foreign currency risk

The company manages foreign currency risk by entering into forward foreign exchange contracts.

Political and charitable contributions

The group made no political contributions during the year (2006 £nil). Donations to UK charities amounted to £22,500 (2006 £24,500).

Directors' report

Directors

Directors who held office during the year were as follows

J J Jones (Chairman)
S F Howard (Resigned 26/04/2007)
D A Hearne
A J Raine
B J Warren (Resigned 26/04/2007)
M Mori (appointed 25/09/2007)
A S Baker (appointed 25/09/2007)
K Kanomata (appointed 25/09/2007)
M Yamada (appointed 25/09/2007)
M Tabei (appointed 25/09/2007)
P H A Burger (appointed 25/09/2007)

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The company provided qualifying third party indemnity provisions to certain directors of group companies during the financial year and at the date of this report.

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 become disabled and to provide opportunities for training and career development of disabled employees.

Frequent meetings are held with employee 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.

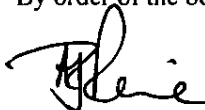
Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Ernst & Young LLP were appointed as auditors in the year. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A J Raine

Director

3 April 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report 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). The financial statements are required by law to 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that 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 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.

Independent auditors' report

to the members of HM Plant Limited

We have audited the financial statements of HM Plant Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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.

Independent auditors' report

to the members of HM Plant Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

10 April 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Turnover	2	139,012	103,660
Cost of sales		(122,070)	(91,841)
Gross profit		16,942	11,819
Administrative expenses		(7,520)	(5,940)
Distribution costs		(2,610)	(2,131)
Exceptional operating income	3	961	-
Operating profit	3	7,773	3,748
Interest receivable and similar income	6	432	250
Interest payable and similar charges	7	(48)	(60)
Profit on ordinary activities before taxation		8,157	3,938
Tax on profit on ordinary activities	8	(2,518)	(1,358)
Profit on ordinary activities after taxation	16	5,639	2,580

Statement of total recognised gains and losses

for the year ended 31 December 2007

There were no recognised gains or losses other than the profit attributable to shareholders of the company of £5,639,000 in the year ended 31 December 2007 and of £2,580,000 in the year ended 31 December 2006

Note of historical cost profits and losses

for the year ended 31 December 2007

	2007 £000	2006 £000
Reported profit on ordinary activities before taxation	8,157	3,938
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	2	(1)
Historical cost profit on ordinary activities before taxation	8,159	3,937
Historical cost profit for the year retained after taxation	5,641	2,579

Balance sheet

at 31 December 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	10	4,161	4,321
Current assets			
Stocks	11	18,207	8,797
Debtors	12	16,001	16,365
Cash at bank and in hand		12,528	8,678
		46,736	33,840
Creditors amounts falling due within one year	13	(46,025)	(35,705)
Net current assets/(liabilities)		711	(1,865)
Total assets less current liabilities		4,872	2,456
Provision for liabilities and charges	14	(187)	(160)
Net assets		4,685	2,296
Capital and reserves			
Called up share capital	15	1,350	1,350
Revaluation reserve	16	44	46
Profit and loss account	16	3,291	900
Equity shareholders' funds	16	4,685	2,296

These financial statements were approved by the Board of Directors on 3 April 2008 and were signed on its behalf by



J J Jones
Director

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards

Cash flow statement

The ultimate UK parent undertaking is Heavy Construction Machinery Limited which prepares consolidated financial statements which include a consolidated cash flow statement dealing with the cash flows of the group. Under FRS1, the company is therefore not required to prepare a cash flow statement for inclusion in its own financial statements

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is not provided on freehold land. On other assets it is provided so as to write off the cost, less estimated residual value in equal annual instalments over the expected useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	-	1.5% per annum
Plant and machinery	-	10% - 20% per annum
Fixtures and fittings	-	10% - 20% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	20% per annum
Leasehold property	-	over the period of the lease

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 prices less any further costs to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Forward foreign currency contracts

The company uses forward foreign currency contracts to reduce exposure to fluctuating foreign exchange rates. The company considers these derivative instruments qualify for hedge accounting when certain criteria are met as follows

- the instrument must be related to a firm foreign currency commitment,
- it must involve the same currency as the hedged item, and
- it must reduce the risk of foreign currency exchange movements on the company's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial liabilities, or where the instrument is used to hedge a future committed transaction, are not recognised until the transaction occurs

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

2. Turnover

Turnover represents the amount derived from the provisions 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 at which the customer enters into an unconditional agreement to purchase the machine subject to an agreed future delivery date

An analysis of turnover by geographical market is given below

	2007 £000	2006 £000
United Kingdom	131,244	95,114
Other European Countries	7,739	8,370
Other	29	176
	<u>139,012</u>	<u>103,660</u>

Notes to the financial statements

at 31 December 2007

3. Operating profit

This is stated after charging/(crediting)

	2007 £000	2006 £000
Operating lease charges land and buildings	226	234
Operating lease charges other	508	435
Gains on foreign exchange	(214)	(115)
Exceptional income Fiat Kobelco arbitration award	(961)	-
Depreciation owned fixed assets	176	170
Auditors' remuneration audit	43	44
Auditors' remuneration valuation services	-	25
	<u> </u>	<u> </u>

4. Directors' emoluments

No directors were paid by the company All directors' remuneration is borne by Heavy Machinery Group Holdings Limited

5. Staff costs

	2007 £000	2006 £000
Wages and salaries	4,015	3,391
Social security costs	417	414
Other pension costs	43	53
	<u>4,475</u>	<u>3,858</u>

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

	2007 No	2006 No
Office and management	83	80
Assembly	57	57
	<u>140</u>	<u>137</u>

6. Interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	432	250
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2007

7. Interest payable and similar charges

	2007 £000	2006 £000
Interest on late payment of corporation tax	48	60

8. Taxation

(a) Tax on profit on ordinary activities

	2007 £000	2006 £000
UK Corporation tax		
UK corporation tax at 30% (2006 30%)	2,551	1,310
Adjustment in respect of previous year	(60)	50
Total current tax charge	2,491	1,360
Deferred tax		
Origination of timing differences	27	(46)
Adjustments in respect of prior periods	-	44
Tax on profit on ordinary activities	2,518	1,358

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30 % (2006 30%) The differences are reconciled below

	2007 £000	2006 £000
Profit on ordinary activities before tax	8,157	3,938
Current tax at 30% (2006 30%)	2,447	1,181
<i>Effects of</i>		
Expenses not deductible for tax purposes	128	168
Capital allowances in excess of depreciation	(24)	(39)
Adjustments to tax charge in respect of previous periods	(60)	50
Total current tax charge (see above)	2,491	1,360

Notes to the financial statements

at 31 December 2007

8. Taxation (continued)

(c) Factors affecting future tax charge

Following changes arising from the Finance Act 2007, reducing the standard rate of corporation tax to 28% from 1 April 2008 the effective rate of tax is expected to be nearer the new standard rate of tax in future, assuming that the company's profits are taxed at the higher rate of corporation tax

The 2007 Budget also proposed changes to the capital allowances regime, amongst which are proposals for the phased withdrawal of Industrial Buildings Allowance by 2011 and a reduction in the rate of plant and machinery writing down allowances from 25% to 20% from 1 April 2008. These measures are likely to be enacted in the Finance Act 2008 and will accelerate corporation tax payable

(d) Provision for deferred tax

	<i>Deferred tax liability £</i>
At 1 January 2006	160
Charge to profit and loss account	27
	<hr/>
At 31 December 2007	187
	<hr/> <hr/>

9. Dividends

	<i>2007 £000</i>	<i>2006 £000</i>
Dividends paid on ordinary shares during year	3,250	3,364
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 December 2007

10. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Short leasehold properties £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Motor vehicles £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
<i>Cost or valuation</i>							
At 1 January 2007	3,767	34	1,397	784	97	397	6,476
Additions	-	-	11	3	2	-	16
At 31 December 2007	3,767	34	1,408	787	99	397	6,492
<i>Depreciation</i>							
At 1 January 2007	99	6	1,050	642	88	270	2,155
Charge for the year	49	2	52	24	3	46	176
At 31 December 2007	148	8	1,102	666	91	316	2,331
<i>Net book value</i>							
At 31 December 2007	3,619	26	306	121	8	81	4,161
At 31 December 2006	3,668	28	347	142	9	127	4,321

The following information relates to tangible fixed assets carried on a revalued basis in accordance with FRS 15 Tangible Fixed Assets

	<i>2007 £000</i>	<i>2006 £000</i>
Land and buildings		
At 1999 valuation	220	220
Depreciation thereon	(10)	(9)
Net book value	210	211
Historical cost of revalued assets	187	187
Aggregate depreciation based on historical cost	(24)	(22)
Historical cost net book value	163	165

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 to the financial statements

at 31 December 2007

11. Stocks

	2007 £000	2006 £000
Work in progress	230	225
Finished goods and goods for resale	17,977	8,572
	<u>18,207</u>	<u>8,797</u>

12. Debtors

	2007 £000	2006 £000
Trade debtors	5,836	7,080
Amounts owed by group undertakings	9,710	8,727
Other debtors	135	256
Prepayments and accrued income	320	302
	<u>16,001</u>	<u>16,365</u>

13. Creditors' amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	34,861	29,590
Amounts owed to group undertakings	5,234	2,843
Corporation tax	2,534	756
Other taxes and social security costs	891	822
Other creditors	621	554
Accruals and deferred income	1,884	1,140
	<u>46,025</u>	<u>35,705</u>

Notes to the financial statements

at 31 December 2007

14. Provisions for liabilities and charges

	<i>Deferred tax £000</i>	
At beginning of year	160	
Charged to the profit and loss for the year	27	
At end of year	<hr/> 187	
The elements of the deferred tax liability are as follows		
	<i>2007 £000</i>	<i>2006 £000</i>
Difference between accumulated depreciation and capital allowances	189	164
Other timing differences	(2)	(4)
Deferred tax liability	<hr/> 187	<hr/> 160

A deferred tax liability of £558,443 (2006 £558,443) in respect of rolled over gains of £1,861,478 (2006 £1,861,478) has not been recognised, as permitted by FRS19

15. Share capital

<i>Authorised</i>		<i>2007 £000</i>	<i>2006 £000</i>
<i>Authorised</i>			
1,350,000 ordinary shares of £1		1,350	1,350
<i>Allotted, called up and fully paid</i>		<i>2007 £000</i>	<i>2006 £000</i>
	<i>2007 No</i>	<i>2006 No</i>	
1,350,000 ordinary shares of £1	1,350,000	1,350,000	1,350

Notes to the financial statements

at 31 December 2007

16. Reconciliation of shareholders' funds and movements on reserves

	<i>Revaluation reserve £000</i>	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2006	45	1,350	1,685	3,080
Profit for the year	-	-	2,580	2,580
Dividends paid	-	-	(3,364)	(3,364)
Transfer from revaluation reserve	1	-	(1)	-
At 31 December 2006	46	1,350	900	2,296
Profit for the year	-	-	5,639	5,639
Dividends paid	-	-	(3,250)	(3,250)
Transfer from revaluation reserve	(2)	-	2	-
At 31 December 2007	44	1,350	3,291	4,685

17. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	<i>2007</i>		<i>2006</i>	
	<i>Land and buildings £000</i>	<i>Other £000</i>	<i>Land and buildings £000</i>	<i>Other £000</i>
Annual commitments under leases expiring				
Within one year	-	1	-	6
Between two to five years	128	54	128	19
Over five years	116	-	116	-
	244	55	244	25

18. 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 £43,060 (2006 £53,124). Contributions totalling £5,387 (2006 £14,630) were payable to the fund at the year end and are included in creditors.

19. Related party transactions

The company has taken the exemption under FRS8 to not disclose transactions with other group entities.

Notes to the financial statements

at 31 December 2007

20. Contingent liabilities

An unlimited bank guarantee exists between the company and its UK group members. The net amount outstanding at the end of the year was £nil (2006 £nil).

Bank of Toyko – Mitsubishi UFJ (Holland) N V has granted letters of credit on the group's behalf in respect of imported purchases, to the value of JPY105,095,251. The bank has also undertaken on the group's behalf, acceptance of JPY256,262,614.

The group has a one year rolling facility of £5,200,000 with Bank of Toyko-Mitsubishi UFJ (Holland) NV N V that is repayable on demand. There are no fixed repayment terms and the facility is guaranteed by Hitachi Construction Machinery (Europe) N V until 30 April 2011. Interest is payable at a rate of LIBOR plus 0.5% per annum.

21. Other financial commitments

The group has derivative financial instruments, being forward foreign exchange contracts as at 31 December 2007 with an estimated value of £2,427,000 (2006 £3,504,000).

The contracts cover purchases denominated in Euro of €1,800,000 and in Japanese Yen of JPY255,000,000 and expire over the period 10 January 2008 to 15 April 2008.

22. Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Heavy Machinery Group Limited. The ultimate UK parent and controlling party, into which the company's financial statements are consolidated, is Heavy Construction Machinery Limited.

Heavy Construction Machinery Limited is a wholly owned subsidiary of Hitachi Construction Machinery (Europe) NV, who are owned by Hitachi Construction Machinery Limited in Japan.

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