

**Strategic Report, Report of the Directors and**  
**Financial Statements**  
**for the Year Ended 31 March 2017**  
**for**  
**Hitachi Construction Machinery (UK)**  
**Limited**

SATURDAY



\*A6CNVUX4\*

A25

12/08/2017

#186

COMPANIES HOUSE

**Hitachi Construction Machinery (UK)**  
**Limited**

**Contents of the Financial Statements**  
**for the Year Ended 31 March 2017**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>3</b>
<b>Report of the Independent Auditors</b>	<b>5</b>
<b>Income Statement</b>	<b>6</b>
<b>Statement of Other Comprehensive Income</b>	<b>7</b>
<b>Balance Sheet</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Notes to the Financial Statements</b>	<b>10</b>

**Hitachi Construction Machinery (UK) Limited**

**Company Information**  
**for the Year Ended 31 March 2017**

**DIRECTORS:**

J J Jones  
M Sue  
M Yamazawa  
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

**Hitachi Construction Machinery (UK)  
Limited**

**Strategic Report  
for the Year Ended 31 March 2017**

The directors present their strategic report for the year ended 31 March 2017.

The period under review has proven to be very exciting, with demand for construction equipment exceeding expectations, a reduction in material costs despite the adverse movement in foreign exchange currencies provided a positive impact on company performance, which resulted in increased turnover and profit: Turnover £179,085,000 (FY15 £149,997,000) : Profit before tax: £7,599,000 (FY15 £5,155,000).

Increased demand for construction equipment across the UK market has continued to defy market uncertainty surrounding the UK's vote to leave the European Union and the migrant crisis currently affecting the European Union, with customer requirements high across all parts of the UK, especially in the South East region. The directors anticipate consumer confidence and demand to remain high in the short term, with further infrastructure developments planned by the UK government.

The reduction in global commodity prices has increased customer focus on emissions performance, although the company anticipates that as commodity prices continue to recover customer focus will traverse back towards improved equipment running efficiency. The board expect the continued recovery of commodity prices to aid world trade in global economies, especially for those geographical regions which are dependent upon stronger commodity pricing.

The introduction of new models with improved performance among mid-range excavators, coupled with strategic pricing strategies has been well received by the market and has proved successful in safeguarding the company's market share and development of new customer business.

In the coming financial year the directors are cautiously optimistic that trading conditions will remain favourable, despite increased competition from other manufacturers and increased material costs. The directors believe that the company's continued strategy to further develop new customer business, whilst continuing to support our existing customer base will remain 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 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.

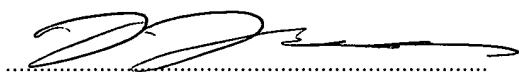
*Credit Risk*

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:**



J J Jones - Director

Date: 29 June 2017

**Hitachi Construction Machinery (UK)  
Limited**

**Report of the Directors  
for the Year Ended 31 March 2017**

The directors present their report with the financial statements of the company for the year ended 31 March 2017.

**DIVIDENDS**

The profit for the year, after taxation, was £6,092,000 (2016 - £4,125,000). A final dividend payment of £2,062,516 was made in respect of the previous trading year. The directors propose a final dividend of £4,632,350 in respect of this financial trading year.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

J J Jones  
M Sue  
D A Hearne  
A Baker  
H Yoshida

Other changes in directors holding office are as follows:

M Yamazawa - appointed 30 June 2016  
M Kadoya - resigned 30 June 2016  
D Hearne - resigned 31 January 2017

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The group made no political contributions during the year (2016 - £nil).

Donations to UK charities amounted to £29,007 (2016 - £38,781).

**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 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.

**Hitachi Construction Machinery (UK)**  
**Limited**

**Report of the Directors**  
**for the Year Ended 31 March 2017**

**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

Date: 29 June 2017

**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 2017 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 21. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 2017 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 prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

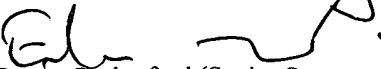
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report and the Directors' Report.

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  
Newcastle upon Tyne  
Date: .....29/6/17.....

**Hitachi Construction Machinery (UK)  
Limited**

**Income Statement  
for the Year Ended 31 March 2017**

	Notes	2017 £000	2016 £000
<b>TURNOVER</b>	3	179,085	149,997
Cost of sales		<u>163,215</u>	<u>137,501</u>
<b>GROSS PROFIT</b>		15,870	12,496
Distribution costs		1,773	1,569
Administrative expenses		<u>6,526</u>	<u>5,828</u>
		8,299	7,397
<b>OPERATING PROFIT</b>		7,571	5,099
Interest receivable from group undertakings		<u>28</u>	<u>57</u>
		7,599	5,156
Interest payable and similar expenses	5	<u>-</u>	<u>1</u>
<b>PROFIT BEFORE TAXATION</b>	6	7,599	5,155
Tax on profit	7	<u>1,507</u>	<u>1,030</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>6,092</u>	<u>4,125</u>

All of the above activities are continuing.

The notes form part of these financial statements



**Hitachi Construction Machinery (UK)**  
**Limited**

**Statement of Other Comprehensive Income**  
**for the Year Ended 31 March 2017**

	2017 £000	2016 £000
<b>PROFIT FOR THE YEAR</b>	6,092	4,125
<b>OTHER COMPREHENSIVE INCOME</b>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>6,092</u></u>	<u><u>4,125</u></u>

The notes form part of these financial statements

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

**Balance Sheet**  
**31 March 2017**

	Notes	2017 £000	2016 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	4,611	4,398
<b>CURRENT ASSETS</b>			
Stocks	10	25,916	27,110
Debtors: amounts falling due within one year	11	29,348	10,699
Cash at bank and in hand		<u>12,343</u>	<u>3,893</u>
		67,607	41,702
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>56,233</u>	<u>34,110</u>
<b>NET CURRENT ASSETS</b>		<u>11,374</u>	<u>7,592</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,985	11,990
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>278</u>	<u>313</u>
<b>NET ASSETS</b>		<u>15,707</u>	<u>11,677</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1,350	1,350
Retained earnings	16	<u>14,357</u>	<u>10,327</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>15,707</u>	<u>11,677</u>

The financial statements were approved by the Board of Directors on 29 June 2017 and were signed on its behalf by:



J J Jones - Director

The notes form part of these financial statements

**Hitachi Construction Machinery (UK)**  
**Limited**

**Statement of Changes in Equity**  
**for the Year Ended 31 March 2017**

	Called up share capital £000	Total earnings £000	Retained equity £000
<b>Balance at 1 April 2015</b>	1,350	23,385	24,735
<b>Changes in equity</b>			
Dividends	-	(17,183)	(17,183)
Total comprehensive income	-	4,125	4,125
<b>Balance at 31 March 2016</b>	<u>1,350</u>	<u>10,327</u>	<u>11,677</u>
<b>Changes in equity</b>			
Dividends	-	(2,062)	(2,062)
Total comprehensive income	-	6,092	6,092
<b>Balance at 31 March 2017</b>	<u>1,350</u>	<u>14,357</u>	<u>15,707</u>

The notes form part of these financial statements

**Hitachi Construction Machinery (UK)  
Limited**

**Notes to the Financial Statements  
for the Year Ended 31 March 2017**

**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 2017 were authorised for issue by the board of directors on 29/06/2017 and the balance sheet was signed on the board's behalf by JJ Jones. 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/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 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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

**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.

**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.

**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.

**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 enforceable 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.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**2. ACCOUNTING POLICIES - continued**

**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.

**Leasing**

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Operating lease income is credited to the income statement 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.

**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 9 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.

**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:

	2017 £000	2016 £000
United Kingdom	173,462	147,659
Europe	<u>5,623</u>	<u>2,338</u>
	<u>179,085</u>	<u>149,997</u>

**Hitachi Construction Machinery (UK)  
Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**4. EMPLOYEES AND DIRECTORS**

	2017 £000	2016 £000
Wages and salaries	6,828	6,275
Social security costs	751	716
Other pension costs	165	191
	<u>7,744</u>	<u>7,182</u>

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

	2017 No.	2016 No.
Office and management	90	87
Assembly	47	42
	<u>137</u>	<u>129</u>

Directors emoluments of £1,650,000 (2016 - £1,563,000) are for their services to Hitachi Construction Machinery (UK) Limited. In addition payments of £38,000 (2016: £76,000) were made into a company pension scheme. The emoluments of the highest paid director (including pension payments) were £948,000 (2016: £706,000).

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 EXPENSES**

	2017 £000	2016 £000
Other interest	<u>-</u>	<u>1</u>
	<u>-</u>	<u>1</u>

**Hitachi Construction Machinery (UK)**  
**Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**6. PROFIT BEFORE TAXATION**

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

	2017 £000	2016 £000
Cost of inventories recognised as expense	162,653	137,501
Hire of plant and machinery	10	11
Depreciation - owned assets	499	449
Profit on disposal of fixed assets	(22)	(91)
Auditors remuneration	46	47
Operating lease charges - land and buildings	222	259
Exchange gains	<u>(391)</u>	<u>(283)</u>

**7. TAXATION**

**Analysis of tax expense**

	2017 £000	2016 £000
Current tax:		
Tax	1,542	1,086
Deferred tax	<u>(35)</u>	<u>(56)</u>
Total tax expense in income statement	<u>1,507</u>	<u>1,030</u>

**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:

	2017 £000	2016 £000
Profit before income tax	<u>7,599</u>	<u>5,155</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	1,520	1,031
Effects of:		
Expenses not deductible for tax purposes	32	54
Adjustments to tax charge in respect of previous periods	1	1
Deferred tax previously unrecognised	(53)	(55)
Tax rate changes	<u>7</u>	<u>(1)</u>
Tax expense	<u>1,507</u>	<u>1,030</u>

**8. DIVIDENDS**

	2017 £000	2016 £000
Ordinary Shares of £1 each		
Interim paid in respect of previous trading year	<u>2,062</u>	<u>17,183</u>



**Hitachi Construction Machinery (UK)  
Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2017**

**9. TANGIBLE FIXED ASSETS**

	Freehold property £000	Short leasehold £000	Plant and machinery £000
<b>COST</b>			
At 1 April 2016	3,658	164	500
Additions	-	33	78
At 31 March 2017	3,658	197	578
<b>DEPRECIATION</b>			
At 1 April 2016	533	37	451
Charge for year	48	18	12
Eliminated on disposal	-	-	-
At 31 March 2017	581	55	463
<b>NET BOOK VALUE</b>			
At 31 March 2017	3,077	142	115
At 31 March 2016	3,125	127	49

	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Totals £000
<b>COST</b>				
At 1 April 2016	221	1,321	687	6,551
Additions	1	545	104	761
Disposals	-	(353)	(141)	(494)
At 31 March 2017	222	1,513	650	6,818
<b>DEPRECIATION</b>				
At 1 April 2016	178	612	342	2,153
Charge for year	6	303	112	499
Eliminated on disposal	-	(304)	(141)	(445)
At 31 March 2017	184	611	313	2,207
<b>NET BOOK VALUE</b>				
At 31 March 2017	38	902	337	4,611
At 31 March 2016	43	709	345	4,398

**10. STOCKS**

	2017 £000	2016 £000
Work-in-progress	556	595
Finished goods	25,360	26,515
	25,916	27,110

Stocks are stated after provisions for impairment of £594,691 (2016 - £585,961).

**Hitachi Construction Machinery (UK)**  
**Limited**

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

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £000	2016 £000
Trade debtors	15,881	7,974
Amounts owed by group undertakings	13,044	1,794
Other debtors	247	619
Fair value of forward contracts (note 19)	-	107
Prepayments and accrued income	176	205
	<u>29,348</u>	<u>10,699</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £000	2016 £000
Trade creditors	4,684	3,521
Amounts owed to group undertakings	45,836	25,403
Tax	711	621
Social security and other taxes	3,183	2,609
Other creditors	143	100
Fair value of forward contracts (note 19)	12	-
Accruals and deferred income	1,664	1,856
	<u>56,233</u>	<u>34,110</u>

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

**13. LEASING AGREEMENTS**

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

	2017 £000	2016 £000
Within one year	240	196
Between one and five years	835	885
In more than five years	500	670
	<u>1,575</u>	<u>1,751</u>

**14. DEFERRED TAX ASSETS / LIABILITIES**

	2017 £000	2016 £000
Provision at start of period	313	369
Deferred tax credit to income statement for the period	(35)	(56)
Provision at end of period	<u>278</u>	<u>313</u>
Fixed Assets	(17)	-
Gains	317	316
Other	(22)	(3)
Provision at end of period	<u>278</u>	<u>313</u>
Unrecognised Deferred Tax – Fixed	<u>-</u>	<u>(53)</u>

**Hitachi Construction Machinery (UK)**  
**Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**15. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2017 £000	2016 £000
Number:	Class:			
1,350,000	Ordinary Shares	£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 £165,213 (2016 - £190,765). Contributions totalling £15,535 (2016 - £19,306) 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 2017 with an estimated value of £953,000 (2016 - £948,000). The fair value of the forward foreign exchange contracts is recorded on the balance sheet (note 12).

**Hitachi Construction Machinery (UK)**  
**Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 March 2017**

**20. 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.

During the year, the group purchased parts, on an arm's length basis, with a purchase value of £107,998 (2016 - £104,600) and made sales on an arms length basis with a sales value of £4,091 (2016 - £4,366) from/to LDH Attachments Limited, an entity in which D Hearne's wife is the proprietor. There were no related party balances outstanding as at 31 March 2017 (2016: balance owed to entity £9,000, balance owed from entity £90).

**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.

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.