

HM Plant Limited

**Directors' report and financial
statements**

Registered number 1082975

Year ended 30 June 2002



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Company information

Directors

JJ Jones – Chairman
S R Hanney
S F Howard
D A Hearne
D N Hopkins
A J Raine
B J Warren

Secretary

D A Trunks

Auditors

KPMG LLP
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

Registered Office

38 Castlefields Industrial Estate
Bridgwater
Somerset
TA6 4DH

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activities

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

Results and dividends

The profit for the year before tax was £3,455,000 (2001: £3,423,000). A first and final dividend of £2,364,000 (2001: £3,064,000) was paid during the year.

The results of the company are set out on page 5.

Review of the business and future prospects

The directors consider the performance of the company to be highly satisfactory and that the company is well placed to continue to achieve such results.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £9,295 (2001: £1,560).

Directors and their interests

The directors in office at the end of the year and served throughout the year were as follows:

J J Jones
S R Hanney
S F Howard
D A Hearne
D N Hopkins
A J Raine
B J Warren

No directors had any interest in the share capital of the company at any time during the year.

Messrs J J Jones, S F Howard, D A Hearne and D N Hopkins are directors of the ultimate parent company, Heavy Construction Machinery Limited and their interests in the shares and loan notes of that company are disclosed in that company's accounts. AJ Raine and BJ Warren are not directors of the ultimate holding company but they both hold 19,622 £0.01 ordinary shares in that company.

Auditors

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 6 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


S R Hanney
Director

38 Castlefields Industrial Estate
Bridgwater
Somerset TA6 4DH

14 August 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of HM Plant Limited

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditors

14 August 2002

Profit and loss account
for the year ended 30 June 2002

	<i>Note</i>	2002 £000	2001 £000
Turnover	2	92,040	80,989
Cost of sales		(82,808)	(72,109)
		<hr/>	<hr/>
Gross profit		9,232	8,880
Administration expenses		(3,719)	(3,203)
Distribution costs		(2,142)	(2,300)
		<hr/>	<hr/>
Operating profit	3	3,371	3,377
Interest receivable and similar income	5	114	127
Interest payable and similar charges	6	(30)	(81)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,455	3,423
Tax on profit on ordinary activities	7	(1,087)	(1,248)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		2,368	2,175
Dividends – equity	8	(2,364)	(3,064)
		<hr/>	<hr/>
Retained profit/(loss) for the year	15	4	(889)
		<hr/>	<hr/>

There were no recognised gains or losses for either financial period other than those shown above.

All results arose from continuing activities.

Note of historical cost profits and losses

	2002 £000	2001 £000
Reported profit on ordinary activities before taxation	3,455	3,423
Realisation of property revaluation gains of previous years	-	234
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	6	6
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	3,461	3,663
	<hr/>	<hr/>
Historical cost profit /(loss) for the year retained after taxation and dividends	10	(649)
	<hr/>	<hr/>

Balance sheet
at 30 June 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	9	2,765	3,444
Current assets			
Stock	10	17,350	18,721
Debtors	11	4,805	4,378
Cash at bank and in hand		10,940	6,734
		<u>33,095</u>	<u>29,833</u>
Creditors: amounts falling due within one year	12	<u>(33,494)</u>	<u>(30,854)</u>
Net current liabilities		(399)	(1,021)
Total assets less current liabilities		2,366	2,423
Creditors: amounts falling due after more than one year	13	(104)	(165)
Net assets		<u>2,262</u>	<u>2,258</u>
Capital and reserves			
Called up share capital	14	1,350	1,350
Revaluation reserve	15	344	350
Profit and loss account	15	568	558
Total equity shareholders' funds	16	<u>2,262</u>	<u>2,258</u>

These financial statements were approved by the board of directors on 14 August 2002 and were signed on its behalf by:



S R Hanney
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

Depreciation

No depreciation is provided on freehold land. Depreciation is provided on all other tangible fixed assets, at rates calculated to write off the cost or valuation of each asset over its expected useful life, as follows:

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

Investments

Investments are stated at cost, less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs include all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of directly attributable overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Taxation

The charge for taxation is based on the result for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension costs

The company contributes to the Heavy Machinery Group group personal pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company has also guaranteed a pension scheme providing benefits on final pensionable pay. The scheme was originally held in relation to HM Rogers Limited, whose trade, assets and liabilities were transferred to HM Plant Limited, on 1 July 2000.

The scheme has been in a wind up position since 1996 and therefore there are no contributions charged to the profit and loss account in the year.

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

As a wholly owned subsidiary of a UK registered company HM Plant Limited has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Heavy Construction Machinery Limited consolidated accounts.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transaction. Foreign currency balances are translated into sterling at the rates ruling at the balance sheet date, the differences arising being taken to the profit and loss account.

Leases and hire purchase

Assets held under finance leases are capitalised at their fair value on the inception of the agreement and depreciated over their estimated useful lives. The capital element of future payments is included under creditors. Interest is calculated and charged on a reducing balance basis.

Rentals under operating leases are charged to the profit and loss account in equal amounts over the lease term.

2 Turnover

Turnover represents the amount derived from the provision of goods and services, during the year, stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2002 £000	2001 £000
United Kingdom	86,187	76,340
Other European Countries	5,788	4,480
Other	65	169
	<hr/> 92,040 <hr/>	<hr/> 80,989 <hr/>

3 Operating profit

	2002 £000	2001 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Auditors' remuneration – audit fees	26	14
Depreciation on owned assets	174	158
Depreciation on leased assets	91	138
Operating lease charges - land and buildings	278	235
- other	435	414
Loss/ (profit) on sale of fixed assets	24	(159)
Gains on foreign exchange	(245)	(247)
	<hr/> (245) <hr/>	<hr/> (247) <hr/>

Notes (continued)

4 Staff costs

	2002 £000	2001 £000
Staff costs including directors:		
Wages and salaries	3,594	3,947
Social security costs	368	361
Other pension costs	63	105
	<u>4,025</u>	<u>4,413</u>
	Number of employees	
	2002	2001
Average number employed including directors:		
Office and Management	102	102
Assembly	65	71
	<u>167</u>	<u>173</u>

Directors' emoluments

	2002 £000	2001 £000
Emoluments (excluding pension contributions, but including benefits in kind)	162	117
Contributions to defined contribution pension scheme	6	5
	<u>168</u>	<u>122</u>

The Chairman and three other directors were paid by Heavy Machinery Group Holdings Limited for their services to the Group as a whole. It is not practicable to apportion their remuneration between the companies of which they are directors.

	Number 2002	Number 2001
Number of directors who are members of defined contribution pension scheme	<u>2</u>	<u>2</u>

5 Interest receivable and similar income

	2002 £000	2001 £000
Bank interest receivable	109	121
Other	5	6
	<u>114</u>	<u>127</u>

Notes (continued)

6 Interest payable and similar charges

	2002 £000	2001 £000
Bank overdraft and short term loan interest	26	31
Interest on other loans	-	9
Finance charges on leased assets	-	2
Discounting bills of exchange	-	8
Other Interest payable	4	31
	<u>30</u>	<u>81</u>

7 Taxation

	2002 £000	2001 £000
<i>UK corporation tax</i>		
UK corporation tax at 30% (2001: 30%)	1,087	1,411
Adjustments in respect of prior periods	-	(123)
	<u>1,087</u>	<u>1,288</u>
Total current tax	1,087	1,288
Reversal of timing differences	-	(40)
	<u>1,087</u>	<u>1,248</u>
Total tax charge	<u>1,087</u>	<u>1,248</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001 : higher) than the standard rate of corporation tax in the UK (30 % 2001 : 30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,456	3,423
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	1,037	1,027
<i>Effects of:</i>		
Expenses not deductible for tax purposes	134	20
Utilisation of tax losses	(84)	118
Adjustments to tax charge in respect of previous periods	-	123
	<hr/>	<hr/>
Total current tax charge	1,087	1,288
	<hr/>	<hr/>

Factors that may affect future tax charges

At 30 June 2002, a deferred tax asset of £1,263 has arisen in HM Plant Limited. No deferred tax asset has been recognised due to uncertainty of recoverability.

8 Dividends

	2002 £000	2001 £000
Final paid (£1.75 per share) (2001: £2.27 per share)	2,364	3,064
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold properties £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost/valuation							
At 1 July 2001	2,533	138	1,544	623	702	165	5,705
Additions	-	-	3	-	2	-	5
Disposals	(360)	-	(186)	(5)	(8)	-	(559)
At 30 June 2002	2,173	138	1,361	618	696	165	5,151
Depreciation							
At 1 July 2001	24	72	1,106	563	360	136	2,261
Charge for the year	16	28	104	11	96	10	265
Released on disposal	(5)	-	(125)	(2)	(8)	-	(140)
At 30 June 2002	35	100	1,085	572	448	146	2,386
Net book value							
At 30 June 2002	2,138	38	276	46	248	19	2,765
At 30 June 2001	2,509	66	438	60	342	29	3,444

The net book value of fixed assets includes £142,000 (2001: £202,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £60,000 (2001: £60,000).

The company's freehold land and buildings were valued at open market value on an existing use basis at £1,830,000, by Edward Rushton Son & Kenyon Limited, International Valuers and Surveyors on 29 November 1999.

Notes (continued)

10 Stocks

	2002 £000	2001 £000
Work in progress	30	13
Finished goods and goods for resale	17,320	18,708
	<u>17,350</u>	<u>18,721</u>

11 Debtors

	2002 £000	2001 £000
Trade debtors	4,154	3,350
Amounts owed by group undertakings	-	434
Other debtors	12	-
Prepayments and accrued income	639	594
	<u>4,805</u>	<u>4,378</u>

Of the amounts owed by group undertakings £Nil (2001: £329,000) is due after more than one year.

12 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Obligations under finance leases and hire purchase contracts	65	54
Trade creditors	27,599	24,498
Amounts owed to group undertakings	2,690	2,922
Corporation tax	85	1,209
Group relief payable	663	-
Other taxes and social security	1,050	538
Other creditors	498	803
Accruals and deferred income	844	830
	<u>33,494</u>	<u>30,854</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Obligations under finance leases and hire purchase contracts		
Due 1-2 years	104	60
Due 2-5 years	-	105
	<u>104</u>	<u>165</u>

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

14 Share capital

	2002 £000	2001 £000
<i>Authorised</i>		
1,350,000 ordinary shares of £1	1,350	1,350
	<u>1,350</u>	<u>1,350</u>
<i>Called up, allotted and fully paid</i>		
1,350,000 ordinary shares of £1	1,350	1,350
	<u>1,350</u>	<u>1,350</u>

15 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 July 2001	350	558
Profit for the year (page 5)	-	2,368
Dividends	-	(2,364)
Transfer of depreciation on revalued assets	(6)	6
	<u>344</u>	<u>568</u>
At 30 June 2002	344	568

Notes (continued)

16 Reconciliation of movement in shareholders' funds

	2002 £000	2001 £000
Profits for the year	2,368	2,175
Dividend	(2,364)	(3,064)
	<hr/> 4	<hr/> (889)
Opening shareholders' funds	2,258	3,147
	<hr/>	<hr/>
Closing shareholders' funds	2,262	2,258
	<hr/> <hr/>	<hr/> <hr/>

17 Operating lease commitments

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

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Annual commitments under leases expiring:				
Within one year	16	-	22	-
Between two to five years	261	5	255	5
	<hr/> 277	<hr/> 5	<hr/> 277	<hr/> 5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18 Contingent liabilities

An unlimited bank guarantee exists between the company and its group members.

Notes (continued)

19 Pension scheme

Defined Contribution Plan

The company does not operate its own independent pension fund but participates in the Heavy Machinery Group defined contribution pension scheme, the Heavy Machinery Retirement and Death Benefit Scheme. 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 £62,999 (2001: £55,117). Contributions totalling £5,413 (2001: £4,991) were payable to the fund at the year end and are included in creditors.

Defined Benefit Plan

The company has guaranteed a defined benefit pension plan. The plan provides benefits, based on final pensionable salary, for certain employees. The assets of the plan are held in a separate fund administered by trustees. The scheme was originally held in relation to HM Rogers Limited, a fellow subsidiary whose trade, assets and liabilities were transferred to HM Plant Limited on 1 July 2000.

The scheme has been in a wind up position since 1996 and therefore there have been no contributions made since that date.

The pension cost relating to the plan is assessed in accordance with the advice of an independent qualified actuary. The latest actuarial valuation was carried out in July 1996. This was prior to the Pensions Act and in light of the scheme being wound up. The valuation suggested there was no funding deficit.

20 Ultimate parent company and controlling interest

The entire issued share capital of the company is held by Heavy Machinery Group Limited a company registered in England.

The ultimate parent undertaking as at 30 June 2002 is Heavy Construction Machinery Limited. This company is incorporated in England and Wales.

The highest company, in which the results of the Group are consolidated, is Heavy Construction Machinery Limited. Copies of the group financial statements are available from the company secretary, Heavy Construction Machinery Limited, 38 Castlefield Industrial Estate, Bridgwater, Somerset, TA6 4DH.

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.