

## **NACCO Materials Handling Group Limited**

Financial statements for the year ended 31 December 2004  
together with directors' and auditors' reports

Registered Number: 1020654



Directors' Report  
For the year ended 31 December 2004

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2004.

**Principal activity and business review**

The principal activity of the group continues to be the manufacture and marketing of forklift trucks.

**Results and dividends**

The results of the group are as follows:

	£000
Retained profit brought forward	61,347
Profit for the financial year	274
Retained profit carried forward	<u>61,621</u>

The directors do not recommend the payment of a dividend (2003 - £Nil).

Turnover for the year increased by £29 million to £298 million, and the group recorded profit after tax of £0.27 million. (2003 – £3.25 million)

The main component of the profit deterioration was due to substantial increases in material costs together with adverse currency movements, partially offset by volume, trading and grant income. The results were further adversely impacted by increased pension costs.

**Directors and their interests**

The directors of the company during the year were as follows:

Reginald R. Eklund  
Geoffrey D. Lewis (Resigned 24 September 2004)  
Richard Close (Resigned 23 December 2004)  
Jeffrey C. Mattern  
Victoria L. Rickey (Appointed 23 December 2004)  
Michael Brogan (Appointed 17 March 2005)

None of the directors have any beneficial interest in the share capital of the company

Directors' Report  
For the year ended 31 December 2004

**Charitable and political contributions**

*During the year the group made charitable donations of £1,775 (2003 - £1,914). There were no political contributions in either year.*

**Supplier payments policy**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

**Employee consultation**

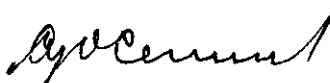
The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group.

**Disabled employees**

*Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.*

Flagship House  
Reading Road North  
Fleet  
Hampshire  
GU51 4WD

By order of the Board,



Anthony J O'Connell

13 May 2005

Secretary

**Directors' Responsibility**  
**For the year ended 31 December 2004**

**In respect of the financial statements of NACCO Materials Handling Group Limited**

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 group and of the profit or loss of the group 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditors' Report

To the members of NACCO Materials Handling Group Ltd.

We have audited the group's accounts for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These accounts have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

*Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.*

We report to you our opinion as to whether the accounts 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 accounts, 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 group 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

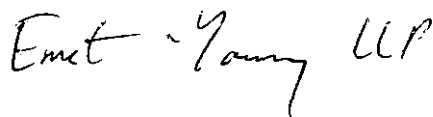
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

### Opinion

*In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

Ernst & Young LLP  
Registered Auditor  
Glasgow



13 May 2005

Consolidated profit and loss account  
For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
<b>Turnover</b>			
Continuing operations	2	298,394	268,853
Cost of sales		(267,392)	(235,123)
<b>Gross profit</b>		31,002	33,730
Other operating expenses	3	(31,194)	(29,582)
<b>Operating (loss)/profit</b>		(192)	4,148
Interest receivable and similar income	4	134	69
Interest payable and similar charges	5	(420)	(219)
<b>(Loss)/Profit on ordinary activities before taxation</b>	6	(478)	3,998
Tax on profit on ordinary activities	8	752	(746)
<b>Profit for the financial year</b>	16	274	3,252

The movement on reserves is disclosed in note 16 to the financial statements.

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2004

	2004 £000	2003 £000
Profit for the financial year	274	3,252
Foreign currency translation differences	(79)	150
<b>Total recognised gains relating to the year</b>	195	3,402

The accompanying notes are an integral part of this consolidated profit and loss account and this consolidated statement of total recognised gains and losses.

Consolidated balance sheet  
As at 31 December 2004

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	9	20,764	19,139
Investments	10	3,578	3,484
		<u>24,342</u>	<u>22,623</u>
<b>Current assets</b>			
Stocks	11	24,858	19,691
Debtors			
- Amounts falling due within one year	12	91,247	80,505
- Amounts falling due after more than one year	12	360	1,240
Cash at bank and in hand		8,169	32,312
		<u>124,634</u>	<u>133,748</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(80,799)</u>	<u>(88,621)</u>
<b>Net current assets</b>		<u>43,835</u>	<u>45,127</u>
<b>Total assets less current liabilities</b>		<u>68,177</u>	<u>67,750</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(3,539)</u>	<u>(2,985)</u>
<b>Provisions for liabilities and charges</b>	8c	<u>(494)</u>	<u>(816)</u>
<b>Net assets</b>		<u>64,144</u>	<u>63,949</u>
<b>Capital and reserves</b>			
Called-up equity share capital	15	2,100	2,100
Profit and loss account	16	61,621	61,347
Foreign currency investment translation reserve	16	423	502
<b>Equity shareholders' funds</b>	17	<u>64,144</u>	<u>63,949</u>

Signed on behalf of the Board

  
Victoria L. Rickey  
Director

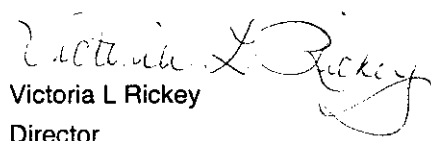
13 May 2005

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet  
As at 31 December 2004

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Investments	10	5,171	5,171
<b>Current assets</b>			
Debtors	12	39,807	39,807
<b>Creditors:</b> Amounts falling due within one year	13	(1,880)	(1,865)
<b>Net assets</b>		<u>43,098</u>	<u>43,113</u>
<b>Capital and reserves</b>			
Called-up equity share capital	15	2,100	2,100
Profit and loss account	16	<u>40,998</u>	<u>41,013</u>
<b>Equity shareholders' funds</b>	17	<u>43,098</u>	<u>43,113</u>

Signed on behalf of the Board

  
Victoria L Rickey  
Director

13 May 2005

The accompanying notes are an integral part of this balance sheet.



## Notes to the financial statements

### 31 December 2004

#### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

##### *a) Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, as defined in the Companies Act 1985 S256.

##### *b) Cash flow statement*

The company has taken advantage of the exemption from the requirement of FRS 1 (Revised) to prepare a cash flow statement as 90% or more of the voting rights are controlled within the group, and consolidated financial statements including the results of the company are available to the public.

##### *c) Basis of consolidation*

The group financial statements consolidate the financial statements of NACCO Materials Handling Group Limited and all its subsidiary undertakings up to 31 December 2004. The acquisition method of accounting has been adopted. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 31 December 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

The company's result for the financial year, determined in accordance with S230 of the Companies Act 1985, was a loss of £14,845 (2003 – loss £167,000).

##### *d) Turnover*

Group turnover comprises the value of sales (net of trade discounts and VAT) of goods and services rendered in the normal course of business.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### e) *Tangible fixed assets*

Land and buildings are shown at original historical cost as set out in note 9. Other tangible fixed assets are shown at cost, net of depreciation and any provision for diminution in value.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	37.5 - 40 years
Machinery, equipment and tooling	3 - 15 years
Furniture and fittings	3 - 10 years

#### f) *Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for any diminution in value.

#### g) *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials and consumables	purchase cost on a first-in, first-out basis, including applicable transport costs.
Work in progress and finished goods	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *h) Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and receipting companies.

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 tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

#### *i) Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

#### *j) Pensions*

The pension obligations of the group are met by payments to pension plans, which are vested in trustees nominated by the group for the benefit of employees and their dependants. Contributions to the Plan are charged to the Profit and Loss account so as to spread the cost of pensions over the service lives of the employees contributing to the schemes.

The group has not opted for the early adoption of FRS17 Retirement Benefits, however the disclosures required under FRS17 are given in note 18.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### k) Foreign currency translation

In the financial statements of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the year end are translated to sterling at the rates of exchange ruling at the balance sheet date or at the rate pertaining to the appropriate contract where forward currency contracts exist. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

For the purposes of consolidation the closing rate method is used, under which translation gains or losses are shown as a movement on reserves. Profit and loss accounts of overseas subsidiary undertakings are translated at the average exchange rate.

#### l) Grants

Grants relating to investment in fixed assets are credited to the deferred income account and released to income in equal annual instalments over the useful lives of the assets to which they relate.

Employment and training grants are credited to income in the year in which they are earned, in so far as their eventual collection is reasonably assured.

#### m) Related party transactions

The company has taken advantage of the exemption allowed by FRS 8 from not having to provide details of transactions with fellow group undertakings.

### 2 Turnover

The geographical analysis of the group's turnover by destination is as follows:

	2004 £000	2003 £000
Europe	172,577	155,162
United States of America	85,330	73,672
Other	40,487	40,019
	<hr/> 298,394	<hr/> 268,853

All turnover and operating results derive from the group's principal activity in Europe. The net assets are based in Europe.

# Notes to the financial statements (continued)

## 3 Other operating expenses

	2004 £000	2003 £000
Selling and marketing expenses	26,941	25,273
Administrative expenses	4,283	4,495
Other operating (income)/expense	(1)	(192)
(Gain)/Loss on disposal of fixed assets	(29)	6
	<u>31,194</u>	<u>29,582</u>

## 4 Interest receivable and similar income

	2004 £000	2003 £000
Interest receivable		
- from other group undertakings	<u>134</u>	<u>69</u>

## 5 Interest payable and similar charges

	2004 £000	2003 £000
- To other group undertakings	17	5
- On finance leases	34	36
- On bank loans and overdrafts, and other loans	<u>369</u>	<u>178</u>
	<u>420</u>	<u>219</u>

# Notes to the financial statements (continued)

## 6 (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	2004 £000	2003 £000
Revenue grants received	(1,000)	(1000)
Amortisation of government grants	(685)	(777)
Depreciation on tangible fixed assets		
- owned	2,633	3,121
- held under finance leases	484	487
Hire of plant and equipment	82	70
Operating lease rentals - Plant and machinery	806	821
- Land and buildings	557	590
Auditors' remuneration - audit fees	126	118
Loss on exchange	1,637	2,448
(Gain)/Loss on disposal of fixed assets	(29)	6

The auditors received £3,025 (2003 - £1,500) during the year for non-audit services.

## Notes to the financial statements (continued)

### 7 Staff costs

	2004 £000	2003 £000
Employee aggregate remuneration (including executive directors) during the year amounted to:		
Wages and salaries	37,427	33,985
Social security costs	3,717	3,348
Other pension costs	2,354	1,262
	<u>43,498</u>	<u>38,595</u>

The average monthly number of persons employed by the group during the year was 1,518 (2003 – 1,424). An analysis of the persons employed by the group was as follows:

	2004 Number	2003 Number
Manufacturing	848	791
Administration and selling	670	633
	<u>1,518</u>	<u>1,424</u>

#### Directors' remuneration:

The remuneration of directors was as follows:

	2004 £000	2003 £000
Emoluments	278	269
Company contributions to money purchase pension schemes	13	11
Compensation for loss of office	139	-
	<u>430</u>	<u>280</u>

The number of directors who were members of pension schemes was as follows:

	2004 Number	2003 Number
Money purchase pension schemes	<u>1</u>	<u>1</u>

# Notes to the financial statements (continued)

## 7 Staff costs (continued)

### Highest paid director:

The above amounts for remuneration include the following in respect of the highest paid director:

	2004 £000	2003 £000
Emoluments	278	269
Company contributions to money purchase scheme	13	11
	<u>291</u>	<u>280</u>

## 8 Tax

### **a) Tax on (loss)/profit on ordinary activities**

The tax (credit)/charge is based on the (loss)/profit for the year and comprises:

	2004 £000	2003 £000
<u>Current tax:</u>		
- UK corporation tax		
- Current tax on income for the period	-	1,281
- Adjustment in respect of previous periods	(586)	(775)
	<u>(586)</u>	<u>506</u>
- Foreign tax	157	127
Total current tax	<u>(429)</u>	<u>633</u>
<u>Deferred tax:</u>		
- UK deferred tax	323	113
Tax on (loss)/profit on ordinary activities	<u>(752)</u>	<u>746</u>



## Notes to the financial statements (continued)

### b) Factors affecting the tax (credit)/charge for the period

The tax assessed on the (loss)/profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK.

The differences are explained below.

	2004 £000	2003 £000
(Loss)/Profit on ordinary activities before tax	(478)	3,998
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(143)	1,199
Effect of:		
Disallowed expenses and non taxable income	60	150
Depreciation in excess of capital allowances	230	208
Other timing differences	81	(170)
Adjustments in respect of previous periods	(586)	(775)
Group relief not paid for	(163)	-
Tax losses	-	-
Higher taxes on overseas earnings	92	21
Overseas tax losses	-	-
Current tax (credit)/charge for the period	(429)	633

# Notes to the financial statements (continued)

## c) Deferred tax

	Group	
	2004	2003
	£000	£000
Included in provisions for liabilities and charges	494	816
Accelerated capital allowances	1,769	2,010
Other timing differences	(1,275)	(1,194)
Tax losses	-	-
	494	816

The movement in deferred tax comprises

	Group	
	2004	2003
	£000	£000
Beginning of year	816	704
Adjustments in respect of prior years	(11)	150
Profit and loss account current year	(311)	(38)
Estimated recoverable losses	-	-
End of year	494	816

## d) Factors affecting future tax charge

The directors are not aware of any significant factors that will affect future tax charges at the balance sheet date.

## Notes to the financial statements (continued)

### 9 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

Group	2004 £000	2003 £000
Land and buildings	9,497	9,627
Machinery, equipment and tooling	11,106	9,290
Furniture and fittings	161	222
Net tangible fixed assets	<u>20,764</u>	<u>19,139</u>

The movement in the year was as follows:

	Freehold land and buildings £000	Machinery, equipment and tooling £000	Furniture and fittings £000	Total £000
<b>Cost</b>				
Beginning of year	20,407	65,339	1,071	86,817
Exchange adjustment	-	(19)	-	(19)
Additions	315	4,357	57	4,729
Disposals	(4)	(4,275)	(176)	(4,455)
Reclassifications	62	(62)	-	-
End of year	<u>20,780</u>	<u>65,340</u>	<u>952</u>	<u>87,072</u>
<b>Depreciation</b>				
Beginning of year	10,780	56,049	849	67,678
Exchange adjustment	-	(18)	-	(18)
Charge for year	504	2,395	118	3,017
Disposals	(1)	(4,192)	(176)	(4,369)
End of year	<u>11,283</u>	<u>54,234</u>	<u>791</u>	<u>66,308</u>
<b>Net book value</b>				
Beginning of year	<u>9,627</u>	<u>9,290</u>	<u>222</u>	<u>19,139</u>
End of year	<u>9,497</u>	<u>11,106</u>	<u>161</u>	<u>20,764</u>

## Notes to the financial statements (continued)

### 9 Tangible fixed assets (continued)

Leased assets included in the above are as follows:

	Machinery, equipment and tooling £000
<b>Net book value</b>	
Beginning of year	1,056
End of year	572

Freehold land amounting to £641,000 (2003 - £641,000) has not been depreciated.

## Notes to the financial statements (continued)

### 10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Subsidiary undertakings	-	-	3,093	3,093
Other investments	3,578	3,484	2,078	2,078
	<u>3,578</u>	<u>3,484</u>	<u>5,171</u>	<u>5,171</u>

#### Principal investments:

The company holds the entire issued share capital of the following companies, all of which principally affected the profits or losses and net assets of the group:

<u>Principal subsidiary undertakings</u>	<u>Country of registration</u>	<u>Principal activity</u>
NACCO Materials Handling Limited	England	Marketing and manufacture of forklift trucks
Hyster France SARL	France	Distribution of forklift trucks
Yale Germany GmbH	Germany	Distribution of forklift trucks
Yale France Manutention SARL	France	Distribution of forklift trucks

#### Other investments:

The other investments relate to:

(a) £380,000 being a 5% interest in the ordinary share capital of NACCO Materials Handling SpA, a company registered in Italy whose principal activity is the manufacture of forklift trucks.

(b) £1,698,000 being a 30.97% interest in the ordinary share capital of NMHG Distribution France Sarl, a company registered in France whose principal activity is the distribution and selling of forklift trucks. The investment continues to be accounted for at cost.

NACCO Materials Handling Ltd currently owns 48.79% of the issued share capital of NMHG Mauritius Ltd. The investment continues to be accounted for at cost.

The company also owns the entire issued share capital of NACCO Materials Handling Group (UK) Pension Company Limited, which amounts to £2.

## Notes to the financial statements (continued)

### 11 Stocks

	Group	
	2004	2003
	£000	£000
Raw materials, consumables and work in progress	22,797	17,926
Finished goods	2,061	1,765
	<u>24,858</u>	<u>19,691</u>

### 12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	50,141	44,076	-	-
Amounts owed by other group undertakings	37,321	29,617	39,807	39,807
VAT	2,381	5,168	-	-
Other debtors	125	-	-	-
Prepayments and accrued income	1,279	1,644	-	-
	<u>91,247</u>	<u>80,505</u>	<u>39,807</u>	<u>39,807</u>
Amounts falling due after more than one year:				
Pension scheme	360	1,240	-	-

Amounts owed by other group undertakings are repayable on demand and are non-interest bearing.

# Notes to the financial statements (continued)

## 13 Creditors: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and overdrafts	-	19,624	-	-
Trade creditors	53,429	42,214	-	-
Amounts owed to other group undertakings	14,511	13,746	1,880	1,865
Other creditors				
- corporation tax	(712)	673	-	-
- other taxation and social security	1,418	1,095	-	-
Accruals and deferred income				
- grants	678	681	-	-
- other	11,475	10,588	-	-
	<u>80,799</u>	<u>88,621</u>	<u>1,880</u>	<u>1,865</u>

Amounts owed to other group undertakings are payable on demand and are non-interest bearing.

## 14 Creditors: Amounts falling due after more than one year

	Group	
	2004	2003
	£000	£000
Long term incentive accrual	948	887
Deferred income – government grants	2,591	2,098
	<u>3,539</u>	<u>2,985</u>

## 15 Called-up equity share capital

	2004	2003
	£000	£000
<i>Authorised, allotted, called-up and fully-paid</i>		
2,100,000 ordinary shares of £1 each	<u>2,100</u>	<u>2,100</u>

## Notes to the financial statements (continued)

### 16 Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
<i>Distributable</i>				
- profit and loss account	61,621	61,347	40,998	41,013
<i>Non-distributable</i>				
- foreign currency translation reserve	423	502	-	-
<b>Total reserves</b>	<b>62,044</b>	<b>61,849</b>	<b>40,998</b>	<b>41,013</b>

The movement on reserves was as follows:

	Group		Company
	Profit and loss account £000	Foreign currency reserve £000	Profit and loss account £000
Beginning of year	61,347	502	41,013
Translation of foreign subsidiary undertakings	-	(79)	-
Profit/(loss) for the financial year	274	-	(15)
<b>End of year</b>	<b>61,621</b>	<b>423</b>	<b>40,998</b>

### 17 Reconciliation of movement in equity shareholders' funds

The movement in shareholders' funds was as follows:

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Opening shareholders' funds	63,949	60,547	43,113	43,280
Profit/(loss) for the financial year	274	3,252	(15)	(167)
Foreign currency translation differences	(79)	150	-	-
<b>Closing shareholders' funds</b>	<b>64,144</b>	<b>63,949</b>	<b>43,098</b>	<b>43,113</b>



## 18 Pension arrangements

### SSAP 24

The company contributes to a UK pension scheme, the NMHG UK Retirement Plan, which has two sections, a defined benefits (DB) section providing benefits based on service and final pensionable salary, and a defined contribution (DC) section which provides benefits equal in value to the accumulated contributions. The assets of the schemes are held separately from those of the company, being invested by professional investment managers.

Contributions to the Plan are charged to the Profit and Loss account so as to spread the cost of pensions over the service lives of the employees contributing to the schemes. The contributions for the DB section of the NMHG Plan are determined by a qualified actuary and are reviewed at least once every three years. The most recent actuarial valuation of the Plan was as at 5 April 2004.

The actuarial assumptions which have the most significant effect on the results of the valuation are those relating to investment performance and the rates of increase of salaries and pensions. Due to the long term nature of the liabilities it is necessary to view this relationship over a considerable period of time. The actuarial valuations reflect the long term historical relationship of investment returns and salary increases and it was assumed that, on average, investment returns on new investments would be 2.5% per annum higher than increases in salaries. It was assumed that pensions in payment accrued after 5 April 1997 increase in line with the assumed rate of inflation of 2.5% per annum (reflecting the statutory requirement that pension accrued after 5 April 1997 must increase in line with inflation subject to a maximum of 5%).

The most recent valuation of the NMHG Plan (DB section) as at 5 April 2004 using methods and assumptions consistent with SSAP 24 disclosures, determined that the actuarial value of the assets were sufficient to cover 73% of the benefits that had accrued to members allowing for future increases in earnings.

The pension charge for the year was £2,354,000 (2003 - £1,262,000) after taking credit of £ 80,000 (2003 - £80,000) for the expected return on the group opening prepayment position.

The pension charge to the defined benefit scheme was £2,010,000 (2003 - £1,040,000) and the defined contribution scheme was £344,000 (2003 - £222,000).

Contributions of £1,130,000 (2003: £1,110,000) have been paid over in 2004. The Company has agreed to contribute at the rate of 12.7% of members' pensionable salaries together with additional contributions amounting to £16,000 a month from April 2002. This rate will be paid until 5<sup>th</sup> April 2005 when the level of Company contributions will increase to 12.8% of members' pensionable salaries plus £1,400,000 in the year ending 5<sup>th</sup> April 2006, then £1,250,000 per annum, for a period of 12 years, thereafter with the aim of meeting the funding level shortfall revealed as part of the actuarial valuation conducted as at 5<sup>th</sup> April 2004.

## Notes to the financial statements (continued)

### 18 Pension arrangements (continued)

#### FRS17 Retirement Benefits

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS 17 Retirement Benefits and these are set out below.

The actuarial valuation described above has been updated at 31 December 2004 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were :

	2004	2003	2002
	% pa	% pa	%pa
Inflation	2.70	2.60	2.25
Rate of increase in salaries	3.90	4.10	3.75
Rate of increase of pensions in payment	2.70	2.60	2.25
Rate of increase for deferred pensioners	2.60	2.60	2.25
Discount rate	5.40	5.60	5.75

#### Scheme assets and expected rate of return

	2004		2003		2002	
	Fair value	Expected rate of return	Fair value	Expected rate of return	Fair value	Expected rate of return
	£000	%pa	£000	%pa	£000	%pa
Equities	34,510	8.0	31,860	8.2	26,490	8.5
Bonds	3,360	4.6	3,090	4.8	2,740	4.5
Total	37,870		34,950		29,230	

The following amounts at 31 December 2004 were measured in accordance with the requirements of FRS17.

	At 31 December 2004	At 31 December 2003	At 31 December 2002
	£000	£000	£000
Fair value of scheme assets	37,870	34,950	29,230
Actuarial value of scheme liabilities	(61,810)	(52,900)	(45,600)
Deficit in the scheme	(23,940)	(17,950)	(16,370)
Related deferred tax asset	7,182	5,385	4,900
Net Pension liability	(16,758)	(12,565)	(11,470)

## Notes to the financial statements (continued)

### 18 Pension arrangements (continued)

The movement in the Company's share of the defined benefits section deficit during the year is made up as follows:

	2004	2003
Movement in deficit during the year:	£000	£000
Deficit at beginning of year	(17,950)	(16,370)
Current service cost	(1,230)	(1,050)
Employers contributions	1,130	1,110
Net return	(160)	(200)
Actuarial losses	(5,730)	(1,440)
Deficit at end of year	<u>(23,940)</u>	<u>(17,950)</u>

Reconciliation of net assets and reserves under FRS17 are as follows:

	2004	2003
	£000	£000
<i>Net assets as stated in the balance sheet</i>	64,144	63,949
Adjusted for:		
<i>Net pension asset (SSAP 24)</i>	(360)	(1,240)
Deferred tax thereon	<u>108</u>	<u>372</u>
Adjusted net assets	63,892	63,081
Retirement benefits liability – net pension liability	<u>(16,758)</u>	<u>(12,565)</u>
Net assets including retirement benefit liability	<u>47,134</u>	<u>50,516</u>

# Notes to the financial statements (continued)

## 18 Pension arrangements (continued)

	2004 £000	2003 £000
<i>Profit and loss reserve as stated in the balance sheet</i>	61,621	61,347
Adjusted for:		
<i>Net pension asset (SSAP 24) net of deferred tax</i>	(252)	(868)
Adjusted profit and loss reserve	61,369	60,479
Retirement benefits liability – net pension liability	(16,758)	(12,565)
Profit and loss reserve including retirement benefits liability	44,611	47,914

The amounts charged to income and expenditure under FRS17 would be as follows:

	2004 £000	2003 £000
Current service cost	1,230	1,050
Past service cost	-	-
Charge to operating profit	1,230	1,050
Expected return on pension plan assets	(2,750)	(2,370)
Interest on pension plan liabilities	2,910	2,570
Charge to financing cost	160	200
Charge to profit and loss account	1,390	1,250

As the plan is closed to new entrants the current service cost is expected to increase in future years as a percentage of members' pensionable salary.

**18 Pension arrangements (continued)**

Analysis of amounts recognised in statement of total recognised gains and losses:

	2004 £000	2003 £000
Actual return less expected return on pension plan assets	310	3,520
Experience gains arising on plan liabilities	(1,300)	(1,160)
Changes in assumptions underlying the present value of plan liabilities	(4,740)	(3,800)
Total actuarial loss recognised	(5,730)	(1,440)

The experience gains and losses for the years ended 31 December 2004 and 2003 were as follows:

	2004	2003	2002
<b>Difference between the expected and actual return on plan assets:</b>			
Amount (£000)	310	3,520	(10,790)
Percentage of plan assets	1%	10%	37%
<b>Experience gains and losses on plan liabilities:</b>			
Amount (£000)	(1,300)	(1,160)	980
Percentage of present value of plan liabilities	2%	2%	2%
<b>Total amount recognised in the statement of total recognised gains and losses:</b>			
Amount (£000)	(5,730)	(1,440)	(8,610)
Percentage of present value of plan liabilities	9%	3%	19%

## 19 Guarantees and financial commitments

### a) Capital commitments

At the end of the year, the group had capital commitments of £3,402,755 (2003 - £3,426,423).

### b) Contingent liabilities

The group has contingent liabilities in respect of:

- i. Guarantees issued for bids and performance bonds of £9,707 (2003 - £68,800).
- ii. Guarantees and indemnities in respect of VAT, duty and leases £1,026,260 (2003 - £1,900,000).
- iii. Cross guarantees on overdrafts and other liabilities of certain other group undertakings for an unlimited amount.

### c) Lease commitments

The group has entered into leases in respect of land and buildings and plant and equipment. The minimum annual rentals under these leases are as follows:

	2004 £000	2003 £000
Operating leases which expire		
Within 1 year		
- Land and buildings	259	78
- Plant and equipment	216	49
Between 2 and 5 years		
- Land and buildings	48	421
- Plant and equipment	465	450
	<u>988</u>	<u>998</u>

## 20 Ultimate parent company

The ultimate parent company is NACCO Industries Inc., a company incorporated in the state of Delaware, United States of America.

The only group in which the results of NACCO Materials Handling Group Limited and its subsidiary undertakings are consolidated is that headed by NACCO Industries Inc., whose principal place of business is 5875 Landerbrook Drive, Mayfield Heights, Ohio 44124. The consolidated financial statements are available at that address.

**21 Related party transactions**

During the year the group purchased in the ordinary course of business £12,735,310 (2003 - £9,865,828) of raw materials from Sumitomo NACCO, a joint venture controlled by NACCO Inc. At the year end the group had a creditor balance of £2,832,216 with Sumitomo NACCO (2003 - £2,573,630) included within trade creditors.