

JCB MATERIALS HANDLING LIMITED
FINANCIAL STATEMENTS
FOR THE
YEAR ENDED 31 DECEMBER 2004

Company Registration Number 1351843



HOWSONS

Chartered Accountants

Registered Auditors

JCB MATERIALS HANDLING LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year has been the design and manufacture of telescopic handling machines and equipment.

The company traded profitably during the year and the directors expect that it will continue to do so for the foreseeable future.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have paid the following dividends:

	2004 £000	2003 £000
Dividends paid on ordinary shares	<u>40,000</u>	<u>—</u>

The directors do not recommend the payment of a further dividend for the year.

DIRECTORS AND SHAREHOLDINGS

The directors who served the company during the year and subsequently were:

Sir Anthony Bamford DL
J Patterson
T J Burnhope

None of the directors had any direct interest in the share capital of the company at any time during the year. The company is a wholly-owned subsidiary of JCB Sales Limited, whose ultimate parent company is owned by Bamford family interests.

RESEARCH AND DEVELOPMENT

The company maintains a continued commitment to the development of its products to provide future product innovations. Research and development expenditure during the year amounted to £2,712,000 (2003- £2,679,000).

EMPLOYMENT OF DISABLED PERSONS

Applications for employment from disabled persons are considered on their merits and regard is paid only to the ability of an applicant to carry out satisfactorily the functions required. The same policy is adopted when considering career development and promotion, while in the field of training a distinction would only be made in order to meet the particular requirements of the disabled person. If an employee becomes disabled whilst in employment all due consideration would be given to continued employment, whether in the same or in an alternative capacity, and training would be given where necessary.

JCB MATERIALS HANDLING LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

EMPLOYEE INVOLVEMENT

The Board acknowledges the need to encourage employee involvement in the improvement of the group's performance by supplying information on matters of importance through regular consultation with employees.

Information is provided by various means, including audio-visual presentations, company newspapers and information bulletins. There is also an annual review of the group's performance, which is presented to all employees.

Employees are encouraged to participate in local schemes designed to improve performance in the areas in which they work.

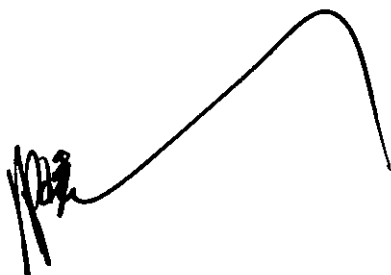
CLOSE COMPANY PROVISIONS

In the opinion of the directors, the company is a close company within the meaning of S.414 Income and Corporation Taxes Act, 1988 (as amended).

AUDITORS

The auditors, Howsons, shall continue in office under the Elective Resolution to section 386 of the Companies Act 1985 passed by the company on 18 October 1990, the directors having received no notice from any member requiring their re-appointment.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to be 'A. Bamford', followed by a long, sweeping horizontal line that curves upwards at the end.

SIR ANTHONY BAMFORD DL
CHAIRMAN

JCB MATERIALS HANDLING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2004

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, 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 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. The directors 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.

JCB MATERIALS HANDLING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JCB MATERIALS HANDLING LIMITED

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements, which comprise the profit and loss account, balance sheet and the related notes. These have been prepared under the historical cost convention and 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 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 THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies 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 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.

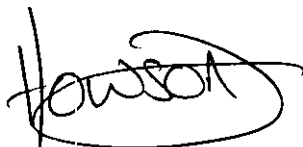
JCB MATERIALS HANDLING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JCB MATERIALS HANDLING LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2004

OPINION

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



HOWSONS

Chartered Accountants
Registered Auditors

Winton House
Stoke Road
Stoke on Trent
Staffordshire
ST4 2RW

7 July 2005

JCB MATERIALS HANDLING LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
TURNOVER	2	197,724	162,085
Cost of sales		(157,368)	(124,214)
GROSS PROFIT		40,356	37,871
Distribution costs		(8,951)	(7,130)
Administrative expenses		(2,740)	(1,723)
OPERATING PROFIT	3	28,665	29,018
Interest receivable	6	2,030	934
Interest payable	7	(220)	(187)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		30,475	29,765
Tax on profit on ordinary activities	8	(9,079)	(8,432)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		21,396	21,333
Dividends	9	(40,000)	—
(DEFICIT)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(18,604)	21,333

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 16 form part of these financial statements.

JCB MATERIALS HANDLING LIMITED

BALANCE SHEET

31 DECEMBER 2004

	Note	£000	2004 £000	£000	2003 £000
FIXED ASSETS					
Tangible assets	10		3,545		3,862
CURRENT ASSETS					
Stocks	11	6,521		4,248	
Debtors	12	36,368		31,820	
Cash at bank		19,589		40,792	
		62,478		76,860	
CREDITORS: Amounts falling due within one year	13	35,728		31,981	
NET CURRENT ASSETS			26,750		44,879
TOTAL ASSETS LESS CURRENT LIABILITIES			30,295		48,741
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	15		392		464
Other provisions	16		3,630		3,400
			26,273		44,877
CAPITAL AND RESERVES					
Share capital	18		—		—
Profit and loss account	19		26,273		44,877
SHAREHOLDERS' FUNDS	20		26,273		44,877

These financial statements were approved by the directors on the 7 July 2005 and are signed on their behalf by:



SIR ANTHONY BAMFORD DL

The notes on pages 8 to 16 form part of these financial statements.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in FRS1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly-owned, and the ultimate parent company, JCB Service, publishes a consolidated cashflow statement which is publicly available.

Turnover

Turnover represents the invoice value of products sold, excluding VAT and net of sales incentives. The company recognises revenue from sales of products upon shipment.

Depreciation

Depreciation is calculated so as to write off the original cost by equal annual instalments over the expected useful lives of the assets concerned. Assets in the course of construction or not in use are not depreciated.

The principal rates used are:

Plant and machinery	- 10%
Fixtures, fittings and office equipment	- 10% / 20% / 25%
Motor vehicles	- 20% / 25%
Computers	- 20% / 33%

Additional depreciation is provided where, in the opinion of the directors, there has been a permanent diminution in the value of a fixed asset.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

Retirement benefits for eligible employees are primarily provided by two defined benefit schemes which are funded by contributions from the company and employees into separately administered trust funds. The company is unable to identify its share of the underlying assets and liabilities of these schemes. As a result, the company accounts for contributions to the schemes as if they were defined contributions schemes by charging them to the profit and loss account as incurred.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

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

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

Deferred tax assets 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.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at the balance sheet date, or at forward rates to the extent that related currency contracts are in place.

Other transactional exchange differences are taken to the profit and loss account.

Warranty

Provision is made for the company's estimated liability on all machines still under warranty, including claims already received. The provision is charged against trading profits and is included in provisions for liabilities and charges, with amounts recoverable from suppliers included in other debtors.

Research and development

Expenditure on research and development is incurred continuously and is charged against revenue as incurred.

Repairs and renewals

All repairs and renewals are charged against revenue as incurred.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

2. TURNOVER

The analysis of turnover, achieved through JCB Sales Limited as agent, by geographical regions is as follows:

	2004 £000	2003 £000
Group		
United Kingdom	944	1,189
Europe	49,503	39,627
North America	18,768	13,100
Far East	4,717	4,207
Non-Group		
United Kingdom	96,051	85,633
Europe	17,297	10,246
Middle East	7,306	6,728
Far East	(10)	—
Africa	1,047	466
South America	2,101	889
	<u>197,724</u>	<u>162,085</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £000	2003 £000
Depreciation of tangible fixed assets	1,005	1,043
Profit on disposal of tangible fixed assets	(20)	(56)
Auditors' remuneration		
- for auditing	13	12
- taxation	2	2
Operating lease costs		
- land and buildings	654	654
- plant and equipment	225	203
Profit on exchange	(10)	(767)
Research and development	<u>2,712</u>	<u>2,679</u>

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was as follows:

	2004 No	2003 No
Directors	3	3
Administration	59	53
Production	371	346
Temporary employees	62	41
	<u>495</u>	<u>443</u>

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

4. STAFF NUMBERS AND COSTS *(continued)*

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	13,942	11,879
Social security costs	1,037	946
Other pension costs	1,311	940
	<u>16,290</u>	<u>13,765</u>

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2004	2003
	£000	£000
Aggregate emoluments	<u>120</u>	<u>110</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2004	2003
	No	No
Defined benefit schemes	<u>3</u>	<u>3</u>

6. INTEREST RECEIVABLE

	2004	2003
	£000	£000
Group interest	<u>2,030</u>	<u>934</u>

7. INTEREST PAYABLE

	2004	2003
	£000	£000
Group interest	7	3
Group discounting charges	213	184
	<u>220</u>	<u>187</u>

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a)

	2004 £000	2003 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	9,153	8,991
Prior year adjustment	(2)	(498)
Total current tax	9,151	8,493
Deferred tax:		
Decrease in deferred tax provision	(72)	(61)
Tax on profit on ordinary activities	9,079	8,432

(b) Factors affecting current tax charge

	2004 £000	2003 £000
Profit on ordinary activities before taxation	30,475	29,765
Profit on ordinary activities at standard rate	9,143	8,930
Excess of depreciation charge over capital allowances	72	60
Permanent differences	(62)	1
Total current tax (note 8(a))	9,153	8,991

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2004 £000	2003 £000
Dividends paid	40,000	-

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

10. TANGIBLE FIXED ASSETS

	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Motor Vehicles £000	Assets in Course of Construction £000	Total £000
COST					
At 1 January 2004	12,030	781	20	—	12,831
Additions	234	24	—	430	688
Disposals	(24)	—	—	—	(24)
Transfers	52	—	—	—	52
At 31 December 2004	12,292	805	20	430	13,547
DEPRECIATION					
At 1 January 2004	8,353	596	20	—	8,969
Charge for the year	966	39	—	—	1,005
On disposals	(24)	—	—	—	(24)
Transfers	52	—	—	—	52
At 31 December 2004	9,347	635	20	—	10,002
NET BOOK VALUE					
At 31 December 2004	2,945	170	—	430	3,545
At 31 December 2003	3,677	185	—	—	3,862
Capital commitments					
			2004 £000		2003 £000
Contracted but not provided for in the financial statements			898		—

11. STOCKS

	2004 £000	2003 £000
Production parts and materials	4,827	3,201
Work in progress	1,643	885
Finished machines	51	162
	6,521	4,248

12. DEBTORS

	2004 £000	2003 £000
Trade debtors	28	34
Amounts owed by group undertakings	31,328	29,648
Taxation and social security	4,063	1,385
Other debtors	925	663
Prepayments	24	90
	36,368	31,820

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

13. CREDITORS: Amounts falling due within one year

	2004	2003
	£000	£000
Trade creditors	18,511	13,826
Amounts owed to group undertakings	10,058	7,672
Amounts owed to related companies outside the JCB Service group	151	45
Amounts owed to other related parties	577	375
Corporation tax	4,280	8,796
Other creditors	292	298
Accruals	1,774	969
Deferred income	85	—
	<u>35,728</u>	<u>31,981</u>

14. PENSIONS

The company is a participating employer in two defined benefit schemes: J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefits Scheme. These schemes have a combined deficit of £94.7 million (£66.3 million net of deferred tax) - 2003 £93.5 million (£65.5 million net of deferred tax), calculated in accordance with FRS 17.

15. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2004	2003
	£000	£000
Provision brought forward	464	525
Profit and loss account movement arising during the year	(72)	(61)
Provision carried forward	<u>392</u>	<u>464</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004	2003
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	392	464
	<u>392</u>	<u>464</u>

The provision carried forward above represents the full potential liability.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

16. OTHER PROVISIONS

	2004 £000
Warranty:	
At 1 January 2004	3,400
Additional provisions made in the year	2,193
Amounts used	(1,886)
Unused amounts reversed	(77)
At 31 December 2004	<u>3,630</u>

It is expected that most warranty expenditure will be incurred in the next financial year, and nearly all will be incurred within two years of the balance sheet date. Included in Other debtors (Note 12) is an amount totalling £925,000, representing amounts recoverable from suppliers.

17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption, allowed under FRS8, available to wholly-owned subsidiary companies whose results are included in consolidated financial statements that are made publicly available, not to disclose details of transactions with entities that are part of the JCB Service Group or investees of the group qualifying as related parties.

The company subcontracts some of its research and development projects to JCB Research in which Sir Anthony Bamford and the Executors for the late Mrs J C Bamford were shareholders of one half of the share capital each. JCB Research charges this work at cost, so as to make neither profit nor loss after allowing for taxation. The total value of services purchased by the company during the year was £780,000 (2003 - £576,000). The net amount owed by the company to JCB Research at 31 December 2004 was £151,000 (2003 - £44,000).

The company purchased production parts and consumables from Iracroft Limited, a company in which Sir Anthony Bamford has an interest. The total value of these purchases by the company during the year was £2,388,000 (2003 - £1,873,000). The net amount owed by the company to Iracroft Limited at 31 December 2004 was £577,000 (2003 - £375,000).

18. SHARE CAPITAL

Authorised share capital:

	2004 £	2003 £
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2004 £	2003 £
Ordinary share capital	<u>100</u>	<u>100</u>

19. PROFIT AND LOSS ACCOUNT

	2004 £000	2003 £000
At 1 January 2004	44,877	23,544
(Deficit)/Retained profit for the financial year	<u>(18,604)</u>	<u>21,333</u>
At 31 December 2004	<u>26,273</u>	<u>44,877</u>

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Profit for the financial year	21,396	21,333
Dividends	(40,000)	—
	(18,604)	21,333
Opening shareholders' equity funds	44,877	23,544
Closing shareholders' equity funds	26,273	44,877

Shareholders' funds are wholly attributable to equity interests.

21. ULTIMATE CONTROLLING PARTY

The company is a wholly-owned subsidiary of JCB Sales Limited, which is itself a wholly-owned subsidiary of JCB Service, an unlimited liability company incorporated in England and Wales. The largest company to consolidate the accounts of JCB Service is Transmissions and Engineering Services Netherlands BV, a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV is ultimately controlled by Bamford family interests.