

JCB MATERIALS HANDLING LIMITED

Company Registration Number 1351843

REPORT AND ACCOUNTS

For the year ended 31 December 1998



HOWSONS

Chartered Accountants

Registered Auditors

JCB MATERIALS HANDLING LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

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

The profit on ordinary activities before taxation amounted to £14,295,000 (1997: £10,324,000).

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

DIRECTORS AND SHAREHOLDINGS

The directors who served during the year and subsequently were:

Sir Anthony Bamford DL
J Patterson - appointed 13 March 1998
M Chapman - appointed 13 March 1998
M Coyne - resigned 9 February 1998
M J Butler - retired 13 March 1998

None of the directors had any direct interest in the share capital of the company during the year.

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 £1,842,000 (1997: £1,638,000).

YEAR 2000

Systems critical to the company's ongoing operations and preparation of financial information, including application systems, operating systems and hardware, as well as other non-financial computing and date-dependent systems on which the company relies, are being reviewed to establish the impact, if any, which the Year 2000 will have on the accuracy of calculation, processing, reporting and operations being performed.

Plans are being developed, designed to ensure that prior to, and entering into the new millennium, the impact of the Year 2000 will not create significant errors in accounting records, or in the operation of other computerised and date-dependent systems. The costs of achieving Year 2000 compliance are largely internal and have not been quantified. The company is aware of the risks and uncertainties that customers and suppliers may experience with regard to the Year 2000 issue, and is taking such steps as can reasonably be expected of it in order to mitigate any adverse effects that could jeopardise the continued operations of the company.

THE EURO

The company trades with a number of customers and suppliers who are resident in those European countries that have entered into the first phase of the introduction of the single currency, the Euro, with effect from 1 January 1999. The company has reviewed its financial accounting systems to ensure that those suppliers who specifically request settlement in Euros can be accommodated. The company will continue to invoice its customers in sterling, but will accept payment in Euros, and has adapted its accounting systems to deal with the appropriate conversions. The costs of adaptation are largely internal and have not been quantified.

JCB MATERIALS HANDLING LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

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 the 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.

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 circulated to all employees.

Employees are encouraged to participate in the local scheme designed to improve the performance in the areas in which they work, including a prize linked suggestion scheme.

During the year JCB operated a profit related pay scheme registered with the Inland Revenue. This allows a tax free payment to all qualifying employees based on the level of profit achieved during the year. The payment made under the rules of the scheme was in excess of £800 per employee.

CLOSE COMPANY STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Howsons, shall continue in office under the Elective Resolution pursuant 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 Board



SIR ANTHONY BAMFORD DL

CHAIRMAN

JCB MATERIALS HANDLING LIMITED

DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 1998

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable;
- 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 not appropriate 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS
OF JCB MATERIALS HANDLING LIMITED**

We have audited the financial statements on pages 5 to 13, which have been prepared under the historical cost convention, and the accounting policies set out on pages 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes the 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 at 31 December 1998 and of its results 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
Staffs
ST4 2RW

Date: 11 JUNE, 1999

JCB MATERIALS HANDLING LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1998**

	Note	1998 £'000	1997 £'000
TURNOVER - continuing operations	2	113,679	98,844
Cost of sales		91,896	85,329
GROSS PROFIT		21,783	13,515
Distribution costs		5,492	4,785
Administrative expenses		2,166	2,201
OPERATING PROFIT - continuing operations	3	14,125	6,529
Interest receivable	6	391	3,903
Interest payable	7	(221)	(108)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,295	10,324
Taxation on profit on ordinary activities	8	4,469	3,180
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED PROFIT FOR THE YEAR	17	9,826	7,144

TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the retained profit for the year ends as stated.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The accounts are prepared under the historical cost convention and thus the reported profit on ordinary activities before taxation is the historical cost profit.

JCB MATERIALS HANDLING LIMITED

BALANCE SHEET

As at 31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	9	3,860	3,587
CURRENT ASSETS			
Stocks	11	3,169	3,098
Debtors	12	78,405	7,920
Cash at bank	1	-	48,583
		<u>81,574</u>	<u>59,601</u>
CREDITORS: Amounts falling due within one year	13	<u>27,357</u>	<u>15,385</u>
NET CURRENT ASSETS		<u>54,217</u>	<u>44,216</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,077</u>	<u>47,803</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>3,912</u>	<u>3,464</u>
NET ASSETS		<u>54,165</u>	<u>44,339</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Profit and loss account	17	54,165	44,339
SHAREHOLDERS' FUNDS	18	<u>54,165</u>	<u>44,339</u>

The accounts were approved by the Board of Directors on 11th June 1999


SIR ANTHONY BAMFORD DL

JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

1. ACCOUNTING POLICIES

a) Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Tangible Fixed Assets

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

The principal rates used are:	%
Plant and machinery	10
Motor vehicles	20/25
Fixtures, fittings and office equipment	10
Computers	20/25

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

c) Stock and Work in Progress

Stock and work in progress are valued at the lower of cost and estimated net realisable value, with due allowance being made for any obsolete or slow moving items. Cost includes direct materials, labour and appropriate works overheads.

d) 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.

e) Deferred Taxation

Provision is only made for deferred taxation, using the liability method, in respect of timing differences arising from the difference in treatment of certain items for accounting and taxation purposes, where it is considered that the deferral is unlikely to continue for the foreseeable future, and where the consequent liability is expected to be material.

f) Research and Development

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

g) Foreign Currency

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end or, if appropriate, at the forward contract rate.

Differences arising from changes in exchange rates, together with gains or losses on trading transactions (arising on differences between conversion at the rates prevailing on the date of a transaction and on the date of settlement), are taken to the profit and loss account.

h) Pension Costs

The company is a participant in The J C Bamford Lifeplan, which is a funded, defined benefit scheme. The costs of providing pensions for employees are charged in the profit and loss account over the average working life of the employees, in accordance with the recommendations of a qualified actuary. Any funding surpluses or deficits that may arise from time to time are amortised over the average remaining service life of employees. The most recent triennial actuarial valuation was carried out as at 6 April 1995, with a further provisional valuation carried out at 6 April 1998. Full disclosure of the results of this latter valuation is given in the accounts of JCB Service.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

1. ACCOUNTING POLICIES (CONTINUED)

i) Repairs and Renewals

All repairs and renewals are charged against revenue as incurred.

j) Restatement

During the year the group has standardised its accounting policies and its classification of income, expenses, assets and liabilities to a common format to provide consistent and comparable reporting across the group. In order to provide a consistent comparison between the current year and last year, certain comparatives have been restated in the new format. The principal changes are:

- i) the inclusion of warranty and other provisions within "provisions for liabilities and charges" as opposed to "other creditors";
- ii) the transfer of purchase ledger accruals from "accruals" to "trade creditors".
- iii) the reclassification of costs between cost of sales, distribution costs and administrative expenses.
- iv) in tangible fixed assets, the reclassification of motor vehicles within plant, machinery and vehicles, previously included within fixtures and equipment.

(k) Reorganisation

Amounts owed by and to other group companies, cash at bank and bank overdrafts are substantially different in 1998 from the amounts in 1997. This arises as a result of:

- i) the transfer at book value of stock and fixed assets from the Central Manufacturing division of JC Bamford Excavators Limited to the company. This remained unpaid as at 31 December 1998 on the inter-company account; and
- ii) the transfer of opening bank balances to JC Bamford Excavators Limited as part of a rationalisation of the group's cash management.

2. TURNOVER

Turnover represents the invoice value of goods sold, excluding VAT and net of sales incentives.

The analysis of turnover by geographical regions is as follows:

		1998 £'000	1997 £'000
Group	- United Kingdom	1,434	1,243
	North America	40,005	26,510
	Europe	31,005	26,257
	Far East	713	1,644
Non-group	- United Kingdom	31,274	35,486
	Europe	5,466	4,816
	Middle East	1,922	2,261
	Africa	970	386
	Central/South America	890	241
		<hr/>	<hr/>
		113,679	98,844

JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

3. OPERATING PROFIT

Operating profit is stated after the following:

	1998 £'000	1997 £'000
Directors' remuneration	85	5
Auditors' remuneration - for auditing	8	11
- for other services	5	10
Depreciation of tangible fixed assets	923	632
Profit on sale of tangible fixed assets	(235)	(74)
Research and development	1,842	1,638
Profit on exchange	(2)	(70)

4. DIRECTORS' REMUNERATION

	1998 £'000	1997 £'000
Aggregate emoluments	85	5

Retirement benefits are accruing to 2 directors (1997: 1) under defined benefit pension schemes.

5. STAFF NUMBERS AND COSTS

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

	1998	1997
Directors	3	3
Administration	70	57
Production	267	124
Temporary employees	-	34
	340	218

The aggregate payroll costs of these persons were as follows:

	1998 £'000	1997 £'000
Wages and salaries	8,088	5,023
Social security	648	384
Other pension costs	674	338
	9,410	5,745

The average number of employees and their associated costs are affected by the re-organisation of the Central Manufacturing division of J C Bamford Excavators Limited (Note 1).

JCB MATERIALS HANDLING LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 1998

6. INTEREST RECEIVABLE

	1998 £'000	1997 £'000
Group interest (Note 1)	391	3,903

7. INTEREST PAYABLE

	1998 £'000	1997 £'000
Group discounting charges	221	108

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
Corporation tax at 31% (1997: 31.5%)		
On profit for the year	4,500	3,250
Adjustment in respect of prior year	(59)	(118)
Deferred tax	28	48
	4,469	3,180

9. TANGIBLE FIXED ASSETS

	Plant, Machinery & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
COST			
At 31 December 1997	6,213	427	6,640
Additions	564	39	603
Disposals	(387)	-	(387)
Transfer from group company (Note 1)	1,751	31	1,782
	8,141	497	8,638
DEPRECIATION			
At 31 December 1997	2,762	291	3,053
Charge for the year	895	28	923
Disposals	(107)	-	(107)
Transfer from group company (Note 1)	886	23	909
	4,436	342	4,778
NET BOOK VALUE			
At 31 December 1998	3,705	155	3,860
At 31 December 1997	3,425	162	3,587

JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

10. CAPITAL COMMITMENTS

	1998 £'000	1997 £'000
Authorised and contracted for	520	-

11. STOCKS

	1998 £'000	1997 £'000
Production parts and materials	1,839	2,132
Work in progress	1,330	966
	<u>3,169</u>	<u>3,098</u>

12. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	28	-
Amounts owed by group undertakings (Note 1)	78,010	7,898
Other debtors	367	22
	<u>78,405</u>	<u>7,920</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank overdraft (Note 1)	8,599	-
Trade creditors	7,640	7,617
Amounts owed to group undertakings	4,735	4,513
Amounts to associated undertaking	2	-
Amounts owed to JCB companies	92	145
Amounts owed to other related parties	42	-
Other creditors	1,555	69
Corporation tax	4,445	3,041
Accruals	247	-
	<u>27,357</u>	<u>15,385</u>

Included in creditors is the following amount:

Taxation and social security	<u>1,219</u>	<u>263</u>
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JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000	Warranty £'000	Total £'000
At 31 December 1997	411	3,053	3,464
Charge for the year	28	420	448
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At 31 December 1998	439	3,473	3,912
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15. DEFERRED TAXATION

	1998		1997	
	Provided For £'000	Full Potential Liability £'000	Provided For £'000	Full Potential Liability £'000
Accelerated capital allowances	439	439	411	411
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16. SHARE CAPITAL

	1998 £	1997 £
Authorised, issued and fully paid		
Ordinary shares of £1 each	100	100
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17. PROFIT AND LOSS ACCOUNT

	1998 £'000	1997 £'000
At 31 December 1997	44,339	37,195
Retained profit for the year	9,826	7,144
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At 31 December 1998	54,165	44,339
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JCB MATERIALS HANDLING LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the year after taxation being net increase in shareholders' funds	9,826	7,144
Shareholders' funds at 31 December 1997	44,339	37,195
Shareholders' funds at 31 December 1998	54,165	44,339

Shareholders' funds are wholly attributable to equity interests.

19. TRANSACTIONS WITH RELATED PARTIES (including directors)

The company has taken advantage of the exemption, allowed under FRS8, available to wholly-owned subsidiary companies whose results are included in the 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 is a shareholder of one third of the share capital. 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 £895,000 (1997: £323,000). The net amount owed by the company to JCB Research at 31 December 1998 was £91,000 (1997: £145,000).

20. 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.