

JCB Materials Handling Limited
Directors' Report and Financial Statements
for the year ended 31 December 2009

Registered number 01351843



JCB Materials Handling Limited

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JCB Materials Handling Limited

Directors and advisors

Directors

Sir Anthony Bamford DL
J C E Bamford
A R Blake
G A Macdonald
J Gill

Company secretary

S E R Ovens

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Slaughter & May
1 Bunhill Row
London
EC1Y 8YY

Bankers

Barclays Bank plc
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Registered office

Lakeside Works
Rocester
Uttoxeter
Staffs
ST14 5JP

Registered number

01351843

JCB Materials Handling Limited

Directors' report for the year ended 31 December 2009

The directors present their report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of JCB Materials Handling Limited is the design and manufacture of telescopic handling machines and equipment

Review of business and future developments

As identified in last year's report, market conditions continued to be difficult in 2009. The global market for construction equipment declined by 46% in 2009, which was the steepest downturn ever recorded. JCB Materials Handling Limited's turnover declined 41% to £177.4 million (2008: £300.8 million).

Despite the steep decline in volumes, JCB Materials Handling Limited remained profitable in 2009, with swift and decisive action taken in late 2008 and early 2009 to realign the cost base to lower volumes. In the face of these tough trading conditions, however, the company maintained investment in the future, with research and development expenditure increasing as a percentage of sales from 1.1% to 1.8%.

Despite the tough trading conditions of 2009, the balance sheet remains in a healthy state and able to support the company.

The first quarter of 2010 has given rise to some cautious optimism. Whilst market recovery is mixed across regions, continued new product investment means that JCB Materials Handling Limited is well placed to capitalise on the improving conditions as and when they arise.

Dividends

The directors approved and paid a dividend of £60 million during the year (2008: £nil).

Research and development

The company continues to invest in product research and development with expenditure during the year of £3.3 million (2008: £3.3 million).

Charitable and political contributions

The company made no charitable contributions or political contributions during the year (2008: £nil).

Statutory Records

The company is incorporated in England and its company registration number is 01351843.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

Sir Anthony Bamford DL

J Patterson (resigned 1 March 2010)

J C E Bamford

M W Turner (resigned 2 January 2010)

A R Blake (appointed 2 February 2009)

M G R Taylor (resigned 4 November 2009)

G A Macdonald (appointed 2 January 2010)

J Gill (appointed 2 January 2010)

Directors Indemnity Insurance

The company purchases liability insurance cover for directors and officers of the company which gives appropriate cover for any legal action brought against them in their capacity as directors or officers. The company also provides indemnity for its directors (to the extent permitted by law) in respect of liabilities which could occur as a result of their office. This indemnity does not provide cover should a director be proved to have acted fraudulently or dishonestly.

JCB Materials Handling Limited

Directors' report for the year ended 31 December 2009 (continued)

Employees

The directors acknowledge the need to encourage employee involvement in the improvement of the company'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 company'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.

The company discharges, equitably, its statutory and social duties in respect of the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995 and the Employment Equality Regulations on sexual orientation, religion, belief or age. An equal opportunities policy is in operation. For those employees becoming disabled during the course of their employment, every effort is made, whether through training or redeployment, to provide an opportunity for them to remain with the company.

Creditor payment policy

The company does not follow any external code or standard on payment practice. The policy for all company suppliers is to set terms of payment when agreeing the terms for each business transaction and to ensure that the supplier is aware of those terms. The company seeks to abide by those terms whenever it is satisfied that the supplier has met its contractual obligations. At 31 December 2009 the number of days outstanding of trade creditors for the company, calculated by reference to the total amounts invoiced by suppliers, was 66 days (2008: 64 days).

Principal risks and uncertainties

The principal risk facing JCB Materials Handling Limited is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, JCB Materials Handling Limited addresses a spectrum of regional markets and operates an organisation and capital structure which is flexible and fast reacting to market conditions.

Credit risk

JCB Materials Handling Limited's principal financial assets are bank balances, cash, and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. JCB Materials Handling Limited has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, JCB Materials Handling Limited uses a mixture of short term facilities and JCB Service group funding if required. Adequate facilities are available to support the company's business for at least 12 months beyond the date of this report.

Exchange rate risk

The exchange rate risk is mitigated by the JCB Service group's hedging arrangements. The group hedges exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof is invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts.

Key performance indicators (KPIs)

JCB Materials Handling Limited uses a range of financial and non-financial indicators to monitor performance. The key performance indicators referred to in the business review reported above include market share, revenue and profit trends, cash generation and research and development investment.

JCB Materials Handling Limited

Directors' report for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each director of the company, in office at the time of approval of this report, acknowledges that

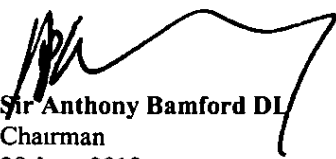
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Auditors

Howsons resigned as auditors and PricewaterhouseCoopers LLP were appointed as auditors during the year. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the board


Sir Anthony Bamford DL
Chairman
28 June 2010

JCB Materials Handling Limited

Independent Auditors' Report to the members of JCB Materials Handling Limited

We have audited the financial statements of JCB Materials Handling Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Nigel Richens (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

28 June 2010

JCB Materials Handling Limited

Profit & loss account for year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	2	177,395	300,796
Cost of sales		(143,175)	(237,064)
Gross profit		34,220	63,732
Distribution costs		(7,290)	(12,206)
Administrative costs		(3,279)	(3,997)
Exceptional administrative items	4	(109)	(1,416)
Total administrative expenses		(3,388)	(5,413)
Other operating (charges)/income		(584)	8,410
Operating profit	3	22,958	54,523
Interest receivable	7	204	2,367
Interest payable and similar charges	8	(367)	(1,148)
Profit on ordinary activities before taxation		22,795	55,742
Tax on profit on ordinary activities	9	(6,148)	(15,803)
Profit for the financial year	18	16,647	39,939

All activities are derived from continuing operations

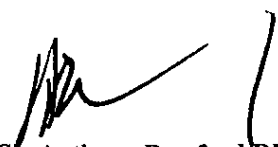
The company has no recognised gains or losses for the year other than the results above

JCB Materials Handling Limited

Balance Sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	5,064	6,164
Current assets			
Stocks	11	3,608	4,690
Debtors	12	29,818	56,967
Cash at bank and in hand		45,442	68,285
		78,868	129,942
Creditors – amounts falling due within one year	13	(26,987)	(34,356)
Net current assets		51,881	95,586
Total assets less current liabilities		56,945	101,750
Provisions for liabilities and charges	15	(3,345)	(4,797)
Net assets		53,600	96,953
Capital and reserves			
Share capital	16	-	-
Profit and loss account	18	53,600	96,953
Shareholders' funds	19	53,600	96,953

The financial statements on pages 6 to 14 were approved by the board of directors on 28 June 2010 and were signed on its behalf by



Sir Anthony Bamford DL
Chairman

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies

Principal accounting policies

The financial statements have been prepared under the historical cost convention, on the going concern basis, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Cash flow statement and related party disclosure

The company is ultimately a wholly-owned subsidiary of JCB Service and is included in the consolidated financial statements of JCB Service, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the JCB Service group or investees of the JCB Service group. For details of other related party transactions see note 20.

Turnover

Turnover represents the invoice value of products and services supplied to customers outside the company, excluding VAT and sales taxes and net of sales incentives. The company recognises revenue from sales of products upon shipment.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the original cost by equal annual instalments over the expected useful economic lives of the assets concerned.

The principal rates used are

Plant and machinery	10%
Fixtures, fittings and office equipment	10% - 25%

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

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value after due regard for obsolete and slow moving stocks. Cost includes direct materials, labour and appropriate works overhead. Net realisable value is based on selling prices less anticipated costs to completion and selling costs.

Deferred taxation

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

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

The deferred tax assets and liabilities are not discounted.

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences on exchange 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 within 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.

Pension

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 contribution schemes by charging them to the profit and loss account as incurred.

The defined benefit schemes are closed to new entrants and have been replaced by a stakeholder scheme which is a defined contribution scheme. Pension costs relating to defined contribution arrangements are charged to the profit and loss account as incurred. The assets of the scheme are held in an independently administered fund.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. Turnover

An analysis of turnover by geographical market is given below.

	2009 £'000	2008 £'000
United Kingdom	73,416	98,551
Europe	67,911	141,142
North America	13,331	14,838
Middle East	11,686	23,134
Far East	7,384	16,459
Africa	1,303	2,354
Latin America	2,364	4,169
India	-	149
	177,395	300,796

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

3. Operating profit

Operating profit is stated after charging/(crediting)

	2009 £'000	2008 £'000
Hire of machinery and equipment	378	437
Hire of land and buildings	475	593
Services provided by the company's auditor		
Fees payable for the audit	16	14
Foreign currency losses/(gains)	584	(8,410)
Depreciation of tangible fixed assets	1,180	1,266
Research and development expenditure	3,275	3,254

4. Exceptional administrative items

	2009 £'000	2008 £'000
Redundancy costs	109	1,416

5. Particulars of employees

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2009 Number	2008 Number
Directors	6	5
Administration and service	80	89
Production	473	595
	559	689

The aggregate payroll costs of these persons were as follows

	2009 £'000	2008 £'000
Wages and salaries	13,521	20,354
Social security	997	1,603
Defined contribution pension cost	2,067	1,892
	16,585	23,849

6. Directors' emoluments

The directors' emoluments for the year were as follows

	2009 £000	2008 £000
Directors' emoluments	185	151

During the period the number of directors who were accruing benefits under company pension schemes was as follows

	2009 Number	2008 Number
Defined benefit	1	1

The aggregate emoluments of the highest paid director (excluding pension contributions) were £155,000 (2008 £121,000)

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

7. Interest receivable

	2009	2008
	£'000	£'000
Group interest	204	2,367

8. Interest payable and similar charges

	2009	2008
	£'000	£'000
Group discounting charges	367	1,148

9. Tax on profit on ordinary activities

Analysis of charge in the year

	2009	2008
	£'000	£'000
Current tax		
UK Corporation tax charge at 28% (2008 28.5%)	6,721	16,081
Adjustment in respect of prior year tax charge	(234)	197
UK Corporation tax	6,487	16,278
Deferred tax		
Origination and reversal of timing differences	(330)	(184)
Adjustments in respect of prior year	(9)	(291)
Total deferred tax	(339)	(475)
Total tax on profit on ordinary activities	6,148	15,803

Factors affecting current year tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2008 higher than) the standard rate of corporation tax in the UK of 28% (2008 28.5%)

The differences are explained below

	2009	2008
	£'000	£'000
Profit on ordinary activities before taxation	22,795	55,742
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	6,383	15,886
Excess of depreciation charge over capital allowances	330	187
Permanent differences	8	8
Adjustment in respect of prior year	(234)	197
Total current tax for the year	6,487	16,278

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

10. Tangible fixed assets

	Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost			
As at 1 January 2009	14,768	914	15,682
Additions	74	6	80
Disposals	(209)	-	(209)
As at 31 December 2009	14,633	920	15,553
Depreciation			
As at 1 January 2009	8,814	704	9,518
Disposals	(209)	-	(209)
Charge for the year	1,124	56	1,180
As at 31 December 2009	9,729	760	10,489
Net book value at 31 December 2009	4,904	160	5,064
Net book value at 31 December 2008	5,954	210	6,164

11. Stocks and work in progress

	2009 £'000	2008 £'000
Raw materials	3,165	4,667
Work in progress	443	23
	3,608	4,690

12. Debtors

	2009 £'000	2008 £'000
Amounts owed by group undertakings	27,129	52,966
Deferred tax	263	-
Taxation and social security	516	2,185
Other debtors	1,190	1,522
Prepayments and accrued income	720	294
	29,818	56,967

Deferred tax

The movement in the deferred tax asset/(provision) during the year was

	2009 £'000	2008 £'000
As at 1 January 2009	(76)	(551)
Deferred tax credited to the profit and loss account	339	475
As at 31 December 2009	263	(76)

The deferred tax asset consists of the tax effect of timing differences in respect of

	2009 £'000	2008 £'000
Difference between taxation allowances over depreciation on fixed assets	263	(76)

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

13. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	10,766	12,064
Amounts owed to group undertakings	8,541	10,366
Amounts owed to other related parties outside JCB Service group	1,906	212
Corporation tax	2,971	8,682
Other creditors	128	53
Accruals and deferred income	2,675	2,979
	26,987	34,356

14. Pension schemes

The company is a participating employer in two defined benefit schemes J C Bamford Lifeplan & J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit scheme These schemes have a combined deficit of £38.1 million (2008 £22.5 million) calculated in accordance with FRS 17 Details of these schemes are disclosed in the financial statements of JCB Service

15. Provisions for liabilities and charges

	2009 £'000	2008 £'000
Deferred tax (note 12)	-	76
Other provisions	3,345	4,721
	3,345	4,797

Other provisions

	Redundancy Provision £'000	Warranty Provision £'000
As at 1 January 2009	788	3,933
Charged to the profit and loss account	-	4,811
Amounts utilised during the year	(788)	(5,399)
As at 31 December 2009	-	3,345

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 £1,186,000 (2008 £1,483,000) representing amounts recoverable from suppliers

16. Share capital

	2009 £	2008 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid up		
100 Ordinary shares of £1 each	100	100

17. Contingent liabilities

The company is a guarantor to the £200.0 million unsecured term facility advanced to JCB Service by Barclays Bank PLC The outstanding liability as at 31 December 2009 was £97.2 million (2008 £130.2 million)

JCB Materials Handling Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

18. Reserves

	Profit & Loss Account £'000
Balance as at 1 January 2009	96,953
Profit for the year	16,647
Dividends paid	(60,000)
Balance as at 31 December 2009	53,600

19. Reconciliation of movement in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year	16,647	39,939
Dividends	(60,000)	-
Net movement in shareholders' funds	(43,353)	39,939
Opening shareholders' funds	96,953	57,014
Closing shareholders' funds	53,600	96,953

20. 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 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, a company in which Sir Anthony Bamford is the sole shareholder. The total value of services purchased by the company during the year was £785,000 (2008 £1,487,000). The net amount due by the company at 31 December 2009 was £94,000 (2008 £79,000).

During the year, the company has purchased machine components and parts from JCB Manufacturing Limited and sold machines and parts to JCB Construction Equipment (Shanghai) Limited, companies ultimately controlled by Bamford family interests. The total value of these transactions were purchases of £3,172,000 (2008 £4,103,000) and sales of £829,000 (2008 £284,000). The net amount due by the company to JCB Manufacturing Limited at 31 December 2009 was £1,812,000 (2008 £132,000) and JCB Construction Equipment (Shanghai) Limited was £nil (2008 £nil).

21. Ultimate controlling party

The company is ultimately 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.

Financial statements for Transmissions and Engineering Services Netherlands BV can be obtained from the Chamber of Commerce in Rotterdam.