

JCB MATERIALS HANDLING LIMITED
FINANCIAL STATEMENTS
FOR THE
YEAR ENDED 31 DECEMBER 2002

Company Registration Number 1351843



HOWSONS

Chartered Accountants

Registered Auditors

JCB MATERIALS HANDLING LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year has been the design, manufacture and marketing 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 do not recommend any further distribution for the year.

DIRECTORS AND SHAREHOLDINGS

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

Sir Anthony Bamford DL
J Patterson
P D Black
T J Burnhope

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

T J Burnhope was appointed as a director on 28 August 2002.

P D Black retired as a director on 28 August 2002.

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 £2,298,000 (2001 - £2,230,000).

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 2002

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 board



SIR ANTHONY BAMFORD DL
CHAIRMAN

JCB MATERIALS HANDLING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2002

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 10, 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

YEAR ENDED 31 DECEMBER 2002

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.

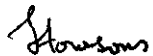
JCB MATERIALS HANDLING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 DECEMBER 2002

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 2002 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

30 June 2003

JCB MATERIALS HANDLING LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
TURNOVER	2	147,957	125,216
Cost of sales		(117,939)	(103,382)
GROSS PROFIT		30,018	21,834
Distribution costs		(6,510)	(5,419)
Administrative expenses		(2,702)	(3,074)
OPERATING PROFIT	3	20,806	13,341
Interest receivable	6	446	1,219
Interest payable	7	(202)	(213)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,050	14,347
Tax on profit on ordinary activities	8	(6,542)	(4,543)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,508	9,804
Dividends	9	-	(30,000)
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR		14,508	(20,196)

TOTAL RECOGNISED GAINS AND LOSSES

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

CONTINUING OPERATIONS

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 2002

	Note	£000	2002 £000	£000	2001 £000
FIXED ASSETS					
Tangible assets	10		4,206		5,432
CURRENT ASSETS					
Stocks	11	3,641		3,208	
Debtors	12	27,857		24,833	
Cash at bank		14,557		6,318	
		46,055		34,359	
CREDITORS: Amounts falling due within one year	13	22,371		26,673	
NET CURRENT ASSETS			23,684		7,686
TOTAL ASSETS LESS CURRENT LIABILITIES			27,890		13,118
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	15		525		590
Other Provisions	16		3,821		3,492
			23,544		9,036
CAPITAL AND RESERVES					
Share capital	18		-		-
Profit and Loss Account	19		23,544		9,036
SHAREHOLDERS' FUNDS	20		23,544		9,036

These financial statements were approved by the directors on the 30 June 2003, 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 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. With the exception of deferred taxation, where FRS19 has now been adopted, these accounting policies have been applied consistently.

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.

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.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES *(continued)*

Pension costs

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, both of which are funded, defined benefit schemes. 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 formal actuarial valuations were carried out as at 6 April 2001 and 1 January 2002. Full disclosure of the results of these latter valuations is given in the financial statements of JCB Service.

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;

provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

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.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES *(continued)*

Repairs and renewals

All repairs and renewals are charged against revenue as incurred.

2. TURNOVER

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

	2002 £000	2001 £000
Group		
United Kingdom	820	568
Europe	43,765	38,087
North America	14,140	8,665
Far East	2,680	1,594
Non-Group		
United Kingdom	67,973	58,866
Europe	13,976	13,608
Middle East	3,705	2,903
Africa	220	327
South America	678	598
	<u>147,957</u>	<u>125,216</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £000	2001 £000
Depreciation of tangible fixed assets	1,070	1,146
Profit on disposal of tangible fixed assets	(91)	(186)
Auditors' remuneration		
- for auditing	12	12
- for other services	-	3
Operating lease costs		
- land and buildings	654	756
- plant and equipment	205	209
Research and development	<u>2,298</u>	<u>2,230</u>

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

4. STAFF NUMBERS AND COSTS

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

	2002 No.	2001 No.
Directors	3	3
Administration	54	63
Production	343	327
Temporary employees	34	3
	<u>434</u>	<u>396</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	11,499	9,994
Social security costs	883	726
Other pension costs	983	966
	<u>13,365</u>	<u>11,686</u>

5. DIRECTORS' REMUNERATION

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

	2002 £000	2001 £000
Aggregate emoluments	<u>100</u>	<u>100</u>

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

	2002 No.	2001 No.
Defined benefit schemes	<u>4</u>	<u>3</u>

6. INTEREST RECEIVABLE

	2002 £000	2001 £000
Group interest	<u>446</u>	<u>1,219</u>

7. INTEREST PAYABLE

	2002 £000	2001 £000
Group discounting charges	<u>202</u>	<u>213</u>

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a)	2002 £000	2001 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	6,863	4,515
Prior year adjustment	(256)	-
Total current tax	6,607	4,515
Deferred tax:		
(Decrease)/increase in deferred tax provision	(65)	28
Tax on profit on ordinary activities	6,542	4,543

(b) Factors affecting current tax charge

	2002 £000	2001 £000
Profit on ordinary activities before taxation	21,050	14,347
Profit on ordinary activities at standard rate	6,812	4,304
Excess of depreciation charge over capital allowances	51	(56)
Permanent differences	-	(1)
Other differences	-	268
Total current tax (note 8(a))	6,863	4,515

9. DIVIDENDS

No dividend has been recommended for the year ended 31 December 2002.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

10. TANGIBLE FIXED ASSETS

	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Motor Vehicles £000	Total £000
COST				
At 1 January 2002	12,179	819	51	13,049
Additions	79	3	—	82
Disposals	(126)	(52)	—	(178)
Transfers	(261)	—	—	(261)
At 31 December 2002	11,871	770	51	12,692
DEPRECIATION				
At 1 January 2002	7,030	536	51	7,617
Charge for the year	1,013	57	—	1,070
On disposals	(81)	(51)	—	(132)
Transfers	(69)	—	—	(69)
At 31 December 2002	7,893	542	51	8,486
NET BOOK VALUE				
At 31 December 2002	3,978	228	—	4,206
At 31 December 2001	5,149	283	—	5,432

11. STOCKS

	2002 £000	2001 £000
Production parts and materials	2,608	2,579
Work in progress	1,033	629
	3,641	3,208

12. DEBTORS

	2002 £000	2001 £000
Trade debtors	21	53
Amounts owed by group undertakings	26,484	24,150
Taxation and social security	408	—
Other debtors	864	541
Prepayments	80	89
	27,857	24,833

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

13. CREDITORS: Amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	8,950	9,249
Amounts owed to group undertakings	5,888	12,138
Amounts owed to JCB companies	64	146
Amounts owed to other related parties	118	265
Corporation tax	6,668	4,320
Other creditors	589	267
Accruals	94	288
	<u>22,371</u>	<u>26,673</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. The company is unable to identify its share of the underlying assets and liabilities of these schemes and accounts for contributions to the schemes as if they were defined contribution schemes. The schemes have a combined deficit of £100.5 million (£70.3 million net of deferred tax), calculated in accordance with FRS 17.

15. DEFERRED TAXATION

	2002 £000	2001 £000
The movement in the deferred taxation provision during the year was:		
Provision brought forward	590	562
(Decrease)/Increase in provision	(65)	28
Provision carried forward	<u>525</u>	<u>590</u>

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

	2002 £000	2001 £000
Excess of taxation allowances over depreciation on fixed assets	<u>525</u>	<u>590</u>

The provision carried forward above represents the full potential liability.

16. OTHER PROVISIONS

	2002 £000
Warranty:	
At 1 January 2002	3,492
Additional provisions made in the year	2,706
Amounts used	<u>(2,377)</u>
At 31 December 2002	<u>3,821</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 £836,000, representing amounts recoverable from suppliers.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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 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 £572,000 (2001 - £908,000). The net amount owed by the company to JCB Research at 31 December 2002 was £37,000 (2001 - £145,000).

The company purchased production parts and consumables from Iracraft Limited, a company in which Sir Anthony Bamford has an interest. The total value of these purchases by the company during the year was £1,644,000 (2001 - £1,206,000). The net amount owed by the company to Iracraft Limited at 31 December 2002 was £118,000 (2001 - £265,000).

18. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
100 Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	<u>100</u>	<u>100</u>

19. PROFIT AND LOSS ACCOUNT

	2002	2001
	£000	£000
At 1 January 2002	9,036	29,232
Retained profit/(Deficit) for the financial year	<u>14,508</u>	<u>(20,196)</u>
At 31 December 2002	<u>23,544</u>	<u>9,036</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£000	£000
Profit for the financial year	14,508	9,804
Dividends	-	(30,000)
	<u>14,508</u>	<u>(20,196)</u>
Opening shareholders' equity funds	9,036	29,232
Closing shareholders' equity funds	<u>23,544</u>	<u>9,036</u>

Shareholders' funds are wholly attributable to equity interests.

JCB MATERIALS HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2002

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.