5849555/87

J.C.B. SERVICE

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER 1976

1. ACTIVITES: The principal activities of the Company during the year have been the marketing of excavator spares and the provision of after sales service on behalf of J.C. Bamford Excavators Limited.

2. EXPORTS: The value of sales exported directly from the United Kingdom was:

1976 £	1975 £
3,900,736	3,109,403

3. STATE OF AFFAIRS: The Net Profit for the year before taxation and after providing for all charges amounted to £2,818,678 (1975 £1,557,311).

   The Directors do not recommend the payment of any further dividend in respect of 1976 in view of the interim dividend of £2,002,644 already paid on 8th October 1977.

4. ACQUISITION OF CONTROLLING INTEREST IN J.C. BAMFORD EXCAVATORS LIMITED: During 1977 your Company acquired a further 68% interest in the share capital of J.C. Bamford Excavators Limited which is in addition to the 6% it already held. The purchase consideration was satisfied by the issue of 38,709 ordinary shares of £1 each fully paid.

5. FIXED ASSETS: Movements of Fixed Assets are shown in Notes to the Accounts.

6. DIRECTORS: The following were Directors of the Company during the year and subsequently and their respective interests in shares were:

	1976	1975
Mrs. J.C. Bamford	Nil	Nil
Mr. A.P. Bamford	Nil	Nil
Mr. R.W. Ryeland	Nil	Nil
Mr. D.C. Danson	Nil	Nil
Mr. G. Johnston - appointed 16/9/76	Nil	Nil

   During the year Mrs. J.C. Bamford disposed of her 40% interest in Petana Limited which was the holding company of J.C.B. Service.

   Mrs. J.C. Bamford retiring in accordance with Article 89 of the Articles of Association, being eligible, offers herself for re-election,

7. During the year ended 31st December 1976 the total amount given for charitable purposes was £246.

8. The Company is a close company for tax purposes.

9. The Directors recommend the re-appointment of Messrs. C. Howson & Co., as Auditors of the Company in accordance with Section 14 of the Companies Act 1976.

SIGNED ON BEHALF OF THE BOARD

DATE: 14th June 1978 CHAIRMAN APBamford

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REPORT OF THE AUDITORS

TO THE MEMBERS OF J.C.B. SERVICE

In our opinion the annexed Accounts prepared on the historical cost basis of accounting and Notes thereon give on this basis a true and fair view of the state of the Company's affairs at 31st December 1976 and of the Profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

G. Howarth & Co.

14th June 1978

STOKE-ON-TRENT.

CHARTERED ACCOUNTANTS.

J.C.B. SERVICE

BALANCE SHEET AS AT 31st DECEMBER 1976

£	1975 £	£		COST £	ACCUMULATED DEPRECIATION £	NET BOOK AMOUNT £
28,703			FIXED ASSETS (See Note 1)	219,687	32,903	186,784
			INVESTMENTS - UNQUOTED			
	292,725		Shares at Cost (See Note 2)		292,725	
5,542,725	5,250,000		Fixed Loan to J.C.Bamford Excavators Limited		5,250,000	5,542,725
			CURRENT ASSETS			
	73,384		Stocks at lower of cost and net realisable value		60,000	
		1,060,871	Debtors: J.C.B. Companies	2,110,502	3,607,687	
	2,211,357	1,150,486	Others	1,497,185		
	223,802		Bank Balances and Cash		1,074,522	
	2,508,543				4,742,209	
			Deduct:			
			CURRENT LIABILITIES			
			Creditors and Accrued Charges			
		99,430	J.C.B. Companies	16,474		
		480,276	Others	396,879		
			Taxation			
		441,577	Current Taxation	1,038,647		
617,260	1,891,283	870,000	Corporation Tax due 1st January 1978	1,250,000	2,702,000	2,040,209
						7,769,718
6,188,688			NET ASSETS			
			SHARE CAPITAL			
10,000			Authorised, Issued and Fully Paid 10,000 Ordinary Shares of £1 each			10,000
			RESERVES			
		108,377	Plant Replacement Reserve		108,377	
5,955,804		5,847,427	Profit and Loss Account		7,194,341	7,302,718
222,884			DEFERRED TAXATION			457,000
6,188,688						7,769,718

J.C.B. SERVICE

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1976.

1975 £	1975 £		£	£
7,040,911		TURNOVER - Being the value of goods invoiced		8,994,966
1,557,311		TRADING PROFIT BEFORE TAXATION (See Note 3)		2,818,678
844,726		TAXATION (See Note 5)		1,471,764
712,585		TRADING PROFIT AFTER TAXATION		1,346,914
	5,369,842	SURPLUS BROUGHT FORWARD	5,847,427	
5,134,842	235,000	Less Transfer to Deferred Tax Account	-	5,847,427
5,847,427		SURPLUS CARRIED FORWARD		7,194,341

J.C.B. SERVICE

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER 1976

	1976		1975	
	£	£	£	£
SOURCE OF FUNDS				
Profit before Taxation		2,818,678		1,557,311
Adjustment for items not involving the movement of funds				
Depreciation		11,559		7,931
TOTAL GENERATED FROM OPERATION		2,830,237		1,565,242
APPLICATION OF FUNDS				
Tax Paid	260,578		1,206,000	
Purchase of Fixed Assets	169,640		19,032	
Purchase of Investments	-		285,600	
Increase in Fixed Loan	-	430,218	500,000	2,010,632
		2,400,019		(445,390)
INCREASE (DECREASE) IN WORKING CAPITAL				
Decrease in Stocks	(13,384)		25,688	
Increase in Debtors	1,396,330		(219,570)	
Decrease in Creditors excluding Taxation	166,353		(263,806)	
MOVEMENT IN NET LIQUID FUNDS				
Increase in Bank Balances	850,720	2,400,019	12,298	(445,390)

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J.C.B. SERVICE

YEAR ENDED 31st DECEMBER 1976.

ACCOUNTING POLICIES

1. DEPRECIATION OF FIXED ASSETS

Depreciation is calculated to write off the original cost less investment grants receivable by equal annual instalments over the expected useful lives of the assets concerned. No depreciation has been charged in respect of Freehold Land and Buildings purchased during the year.

2. STOCK ON HAND

The Company does not carry any machinery parts for resale.

The stock consists entirely of technical publications which have been valued at the lower of cost and net realisable value.

3. DEFERRED TAX

Provision has been made at 52% for deferred tax on the effect of timing differences.

J.C.B. SERVICE

YEAR ENDED 31st DECEMBER 1976.

NOTES ON THE ACCOUNTS

1. **FIXED ASSETS**

COST

	TOTAL £	FREEHOLD LAND AND BUILDINGS £	OFFICE EQUIPMENT AND SUNDRY ITEMS £	MOTOR VEHICLES £
Balance at 31st December 1975	50,047	-	20,596	29,451
Additions	169,640	153,000	16,340	300
Balance at 31st December 1976	219,687	153,000	36,936	29,751
DEPRECIATION				
Balance at 31st December 1975	21,344	-	12,838	8,506
Profit and Loss Account 1976	11,559	-	5,609	5,950
Balance at 31st December 1976	32,903	-	18,447	14,456
NET BOOK AMOUNT 1976	186,784	153,000	18,489	15,295
NET BOOK AMOUNT 1975	28,703	-	7,758	20,945

2. **UNQUOTED INVESTMENTS**

The Company owns 6% of the Issued Share Capital of J.C.Bamford Excavators Limited and 14% of the Issued Share Capital of J.C.B. Earthmovers Limited.

	1976 £	1975 £
(a) The income for the year from such investments is	Nil	Nil
(b) The Company's share of the profits for the year attributable to the investments is (i) Before Tax	774,438	268,254
(ii) After Tax	369,998	102,828
(c) The Company's share of the undistributed profit is	924,389	514,784

3. **TRADING PROFIT BEFORE TAXATION**

The Trading Profit before Taxation has been arrived at after charging (crediting) the items shown below:

	1976 £	1975 £
Directors Remuneration (including in 1975 a special pension fund payment of £502,879)	45,000	767,143
Depreciation	11,559	7,931
Interest Receivable - J.C.Bamford Excavators Limited	(367,500)	(332,500)
Interest Receivable - Others	(72,585)	(72)
Loss on Sale of Fixed Assets	-	1,009
Auditors Remuneration	2,250	1,600
Hire of Plant and Machinery	9,279	9,008

J.C.B. SERVICE

YEAR ENDED 31st DECEMBER 1976

NOTES ON THE ACCOUNTS

4. DIRECTORS

	1976 £	1975 £
The emoluments of the Chairman were	20,000	4,167
The emoluments of the former Chairman and highest paid Director were	-	200,000
The emoluments of the highest paid Director were	20,291	-
Other Directors emoluments:		
Nil to £ 2,500	3	2
£22,501 to £ 25,000	-	1
£35,001 to £ 37,500	-	1

5. TAXATION

	1976 £	1975 £
Charge for the Year		
Corporation Tax on Profits for the Year at 52%	1,250,000	870,000
Less Corporation Tax attributable to previous years	12,352	(16,964)
	1,237,648	886,964
Add Transfer to Deferred Tax	234,116	(42,238)
	1,471,764	844,726

6. PARENT COMPANY

The company is a wholly owned subsidiary of Petana Limited, a company registered in Jersey C.I.