

JUNGHEINRICH (G.B.) LIMITED

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER, 1977

The Directors present their annual report on the affairs of the Company, together with the accounts and auditors' report, for the year ended 31st December, 1977.

PRINCIPAL ACTIVITY:

The Company is engaged in the sale, hire and servicing of mechanical handling equipment.

RESULTS OF OPERATIONS:

The net profit for the year amounted to £136,362. The Directors recommend that this be added to the retained earnings at the beginning of the year of £206,463 and that the balance of £342,825 be carried forward. No dividend is proposed.

The invoiced value of goods exported from the United Kingdom during the year was £192,446.

DIRECTORS:

The Directors of the Company during the year were -

R.A.T. Bischof
M.M.P. Wolgram

Neither of the Directors has a financial interest which is required to be disclosed under Section 16 of the Companies Act, 1967.

EMPLOYEES:

The average number of employees in each week during the year was 120 and their aggregate remuneration was £502,842.

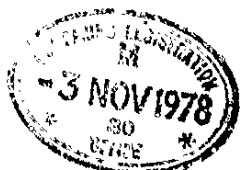
AUDITORS:

Bowman, Dawes & Co., Chartered Accountants, resigned during the year. Under the provisions of Section 159 of the Companies Act, 1948, Arthur Andersen & Co., Chartered Accountants, were appointed in their place. In accordance with the provisions of Sections 14 (1) and 14 (8) of the Companies Act, 1976, a resolution will be proposed at the Annual General Meeting to re-appoint Arthur Andersen & Co. and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD



M.M.P. Wolgram
Secretary



10th February, 1978

ARTHUR ANDERSEN & Co.

BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M1 4EU

To the Members of Jungheinrich (G.B.) Limited:

We have examined the balance sheet of JUNGHEINRICH (G.B.) LIMITED (a wholly-owned subsidiary company) at 31st December, 1977, and the related statements of profit and loss and retained earnings and source and application of funds for the year ended on that date, prepared on the historical cost basis, as described in Note 1.

In our opinion, the accompanying accounts give a true and fair view, on the historical cost basis, of the state of affairs of the Company at 31st December, 1977, and of the profit and source and application of funds for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

Arthur Andersen & Co.

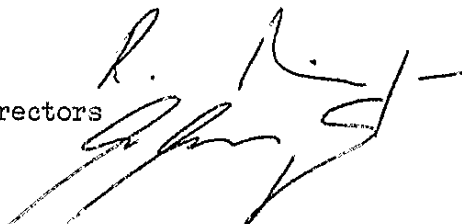
10th February, 1978

JUNGHEINRICH (G.B.) LIMITED

BALANCE SHEET -- 31ST DECEMBER, 1977

	<u>Note</u>	<u>1977</u>	<u>1976</u> (Note 2)
CURRENT ASSETS:			
Cash		£ 6,439	£ 135,904
Accounts receivable and prepaid expenses		1,219,418	915,176
Inventories	3	1,118,884	550,823
Due from parent and fellow-subsiary companies		20,195	289,724
		-----	-----
		£2,334,936	£1,891,627
		-----	-----
CURRENT LIABILITIES:			
Bank overdraft	4	£ 164,970	£ 143,626
Accounts payable and accrued liabilities		722,754	757,742
Due to parent and fellow-subsiary companies		695,775	444,568
		-----	-----
		£1,583,499	£1,345,936
		-----	-----
Net current assets		£ 781,437	£ 545,691
FIXED ASSETS	5	176,388	120,772
DEFERRED TAXATION	6	(155,000)	-
		-----	-----
		£ 802,825	£ 666,463
		=====	=====
SHAREHOLDERS' INVESTMENT:			
Share capital - Authorised, issued and fully-paid, 460,000 ordinary shares of £1 each		£ 460,000	£ 460,000
Retained earnings		342,825	206,463
		-----	-----
		£ 802,825	£ 666,463
		=====	=====

R.A.T. Bischof)
M.M.P. Wolgram) Directors



The accompanying notes are an integral part of this balance sheet.

JUNGHEINRICH (G.B.) LIMITED

STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED 31ST DECEMBER, 1977

	<u>Note</u>	<u>1977</u>	<u>1976</u> (Note 2)
SALES AND RENTAL INCOME		£5,345,596	£4,046,968
COST OF SALES (substantially all purchases made from parent company)		3,651,034	2,624,790
Gross profit		£1,694,562	£1,422,178
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		1,400,292	1,204,962
Profit before taxation	7	£ 294,270	£ 217,216
TAXATION:			
Current		£ 2,908	£ -
Deferred	6	155,000	-
		£ 157,908	£ -
Net profit		£ 136,362	£ 217,216
RETAINED EARNINGS (ACCUMULATED DEFICIT), beginning of year		206,463	(10,753)
RETAINED EARNINGS, end of year		£ 342,825 =====	£ 206,463 =====

The accompanying notes are an integral part of this statement.

JUNGHEINRICH (G.B.) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER, 1977

	<u>1977</u>	<u>1976</u>
		(Note 2)
SOURCE OF FUNDS:		
Net profit	£136,362	£217,216
Adjustments for items not involving the movement of funds -		
Depreciation	67,272	50,105
Provision for deferred taxation	155,000	-
Profit on sale of fixed assets	(4,038)	(5,939)
	-----	-----
Total funds from operations	£354,596	£261,382
Proceeds from sale of fixed assets	27,715	38,498
Proceeds from issue of shares	-	300,000
	-----	-----
	£382,311	£599,880
 APPLICATION OF FUNDS:		
Purchase of fixed assets	146,565	92,162
	-----	-----
Increase in working capital	£235,746	£507,718
	=====	=====
 INCREASE (DECREASE) IN WORKING CAPITAL:		
Accounts receivable and prepaid expenses	£304,242	£400,107
Inventories	568,061	231,274
Accounts payable and accrued liabilities	34,988	35,644
Due to parent and fellow-subsidiary companies, net	(520,736)	(154,844)
Movement in net liquid funds -		
	<u>1977</u>	<u>1976</u>
Cash	£(129,465)	£133,664
Bank overdraft	(21,344)	(138,127)
	-----	-----
	£235,746	£507,718
	=====	=====

The accompanying notes are an integral part of this statement.

JUNGHEINRICH (G.B.) LIMITED

NOTES TO ACCOUNTS -- 31ST DECEMBER, 1977

1. ACCOUNTING POLICIES:

The accounts have been prepared under the historical cost convention, using the following accounting policies -

a) Foreign currency items -

Transactions in foreign currencies during the year are translated into sterling at market rates of exchange current at the dates of the transactions. Foreign currency amounts in the year-end balance sheet (primarily liabilities of approximately £522,000 denominated in German marks and approximately £174,000 denominated in French francs) are translated at market rates of exchange current at the year-end. Exchange gains and losses are included in the statement of profit and loss except to the extent that they relate to inventories on hand at the year-end.

b) Accounts receivable -

Accounts receivable are stated net of a provision for doubtful accounts.

c) Inventories -

Inventories are stated at the lower of first-in, first-out cost, including an appropriate portion of duty and inward carriage charges, or net realisable value.

d) Fixed assets -

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on a straight-line basis, to write off the cost of fixed assets over their estimated economic lives, as follows -

Motor vehicles	-	3 years
Fixtures and fittings	-	5 years
Plant and equipment	-	5 years
Trucks on hire	-	3 - 5 years

e) Taxation -

Corporation tax is provided on the taxable profits for the year at the rates current during the year. Taxable profits are computed after deducting stock relief and tax allowances for fixed assets in excess of depreciation provided in the accounts. Deferred taxation is provided, using the liability method, in respect of such stock relief and tax allowances only to the extent that the Directors estimate that the deferred taxation might become payable in the foreseeable future.

f) Sales -

Sales represent invoiced sales, services and rental income, net of trade discounts, allowances and value added tax.

2. COMPARATIVE ACCOUNTS:

The accounts at 31st December, 1976, were examined and reported on by a firm of chartered accountants other than Arthur Andersen & Co.

3. INVENTORIES:

Inventories comprise -

	<u>1977</u>	<u>1976</u>
Trucks	£ 915,011	£372,482
Parts	203,873	178,341
	-----	-----
	£1,118,884	£550,823
	=====	=====

4. BANK OVERDRAFT:

The Company had an overdraft facility of £250,000 at 31st December, 1977.

5. FIXED ASSETS:

a) The movement in these accounts during the year was as follows -

	<u>Motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Plant and equipment</u>
Cost -			
Beginning of year (Note 2)	£ 83,240	£29,393	£12,634
Additions	116,341	11,889	11,954
Retirements	(19,365)	(623)	(638)
	-----	-----	-----
End of year	£180,216	£40,659	£23,970
	-----	-----	-----
Accumulated depreciation -			
Beginning of year (Note 2)	£ 35,471	£12,718	£ 6,349
Charge for the year	45,469	6,221	2,740
Retirements	(17,432)	(256)	(310)
	-----	-----	-----
End of year	£ 63,508	£18,683	£ 8,779
	-----	-----	-----
Net book value	£116,708	£21,976	£15,191
	=====	=====	=====

b) The Company's capital commitments were as follows -

	<u>1977</u>	<u>1976</u>
Contracts for capital expenditure	£ 8,400	£ -
Capital expenditure authorised by the Directors but not contracted for	154,000	171,000
	-----	-----
	£162,400	£171,000
	=====	=====

c) During 1976 and 1977, the Company entered into a number of sale and leaseback transactions. Trucks were sold to a finance company for approximately £130,000 and are being leased back for 5 years at an annual leasing charge of approximately £31,000. The Company has accounted for these transactions as a sale to the finance company at the outset of the contract and by charging the annual lease charge as an expense and loss. These contracts are matched by similar long-term rental contracts with customers.

ear was as follows -

<u>Motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Plant and equipment</u>	<u>Trucks on hire</u>	<u>Total</u>
£ 83,240	£29,393	£12,654	£93,319	£218,606
116,341	11,889	11,954	6,381	146,565
(19,365)	(623)	(638)	(40,430)	(61,056)
-----	-----	-----	-----	-----
£180,216	£40,659	£23,970	£59,270	£304,115
-----	-----	-----	-----	-----
£ 35,471	£12,718	£ 6,349	£43,296	£ 97,834
45,469	6,221	2,740	12,842	67,272
(17,432)	(256)	(310)	(19,381)	(37,379)
-----	-----	-----	-----	-----
£ 63,508	£18,683	£ 8,779	£36,757	£127,727
-----	-----	-----	-----	-----
£116,708	£21,976	£15,191	£22,513	£176,388
=====	=====	=====	=====	=====

ollows -

<u>1977</u>	<u>1976</u>
£ 8,400	£ -
154,000	171,000
-----	-----
£162,400	£171,000
=====	=====

into a number of sale and leaseback transactions. Under these arrangements, new
approximately £130,000 and are being leased back for periods between three and five
ly £31,000. The Company has accounted for these transactions by recording the
contract and by charging the annual lease payments to the statement of profit
ar long-term rental contracts with customers.

6. DEFERRED TAXATION:

The Company has a contingent liability for deferred taxation at 31st December, 1977, of approximately £258,000, arising from stock relief (£183,000) and tax allowances in excess of book depreciation (£75,000). The amount of deferred taxation in the accounts at 31st December, 1977, (£155,000) which is in respect of stock relief, represents the Directors' estimate of the amount of the contingent liability that might become payable in the foreseeable future.

Tax losses available at 31st December, 1977, for offset against future taxable profits of the same trade amounted to approximately £556,000 arising from stock relief.

7. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

a) The profit before taxation has been determined after charging (crediting) the following -

	<u>1977</u>	<u>1976</u>
		(Note 2)
Depreciation	£67,272	£ 50,105
Auditors' remuneration	4,000	2,750
Profit/loss on exchange	(35,358)	67,543
Directors' emoluments for management services	45,661	33,655
Interest on bank overdraft repayable within five years	6,174	10,541
	=====	=====

b) The aggregate emoluments shown above, excluding pension contributions, were paid as follows -

	<u>1977</u>	<u>1976</u>
		(Note 2)
Emoluments of the highest-paid Director	£24,750	£18,411
	=====	=====

Emoluments of the other Director -

	Number	

£15,000 - £17,500	-	1
£17,501 - £20,000	1	-
	===	===

c) Emoluments, excluding pension contributions, were paid to certain employees as follows -

	Number	
£10,000 - £12,500	2	2
£12,501 - £15,000	3	-
	===	===

d) Loans of £3,000 outstanding from each Director at 31st December, 1976, were repaid during the year.

8. ULTIMATE PARENT COMPANY:

The Company is a wholly-owned subsidiary of Jungheinrich GmbH, incorporated in Switzerland, and its ultimate parent company is Jungheinrich Unternehmensverwaltung KG Hamburg, incorporated in West Germany.