

JCB Sales Limited

Directors' Report and Financial Statements
for the Year Ended 31 December 2008

Registration number: 792807

Howsons
Chartered Accountants and Registered Auditors
Winton House
Stoke Road
Stoke on Trent
Staffordshire
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JCB SALES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and 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;
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is the selling and marketing of products manufactured by JCB group and non-group companies, as an agent, on which it earns commission. The company acts as principal on the sale of machines into Germany. The company also operates the sales ledger in respect of machine sales for most UK-based JCB group and non group companies.

Business review

As identified in last year's report, 2008 turned out to be one of the most challenging in the history of JCB Sales Limited. As has been widely reported, the financial crisis that started in the middle of 2007 spread rapidly, firstly into developed economies, and then into the emerging economies. This has had a significant impact on the world market for construction equipment with declines across all regions in the second half of 2008.

Despite these market conditions, JCB Sales Limited turnover declined only 13.5% to £40.9 million (2007 - £47.3 million), supported by a relatively strong first quarter. This turnover decline, however, has contributed to a larger operating loss in the year of £13.6 million (2007 - £4.2 million).

The cash reserves have fallen in the year from £127.0 million to £27.1 million due to the current economic climate and the fact that no dividend has been received in the year.

Markets have continued to suffer during 2009, although there are some signs that sales have now stabilised. Swift and decisive action has been taken to align the cost base to current volumes, although it remains under constant review. Management consider that JCB Sales Limited is well placed to weather the current economic downturn and capitalise on the upturn as and when it appears.

JCB SALES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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Directors

The directors who held office during the year were as follows:

- Sir Anthony Bamford DL
- J Patterson
- P Leboucher OBE
- M G R Taylor
- J C E Bamford
- T J Burnhope (resigned 5 January 2009)
- F Rausch

The following director was appointed after the year end:

- D R Bell (appointed 5 January 2009)

The company is a wholly-owned subsidiary of JCB Service.

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.

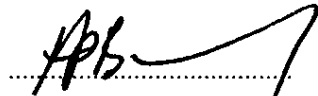
Employee Involvement

The Board acknowledges 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 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.

Approved by the Board and signed on its behalf by:



Sir Anthony Bamford DL
Chairman

Date: 16 September 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JCB SALES LIMITED

We have audited the financial statements of JCB Sales Limited for the year ended 31 December 2008 set out on pages 4 to 17. These financial statements have been prepared in accordance with 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 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 auditors' 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 directors and auditors

As described in the statement of Directors' responsibilities on page 1, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

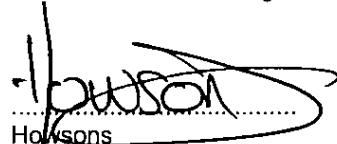
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


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Hollowson

Chartered Accountants and Registered Auditors

Date: 16 September 2009

Winton House
Stoke Road
Stoke on Trent
Staffordshire
ST4 2RW

JCB SALES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £ 000	2007 £ 000
Turnover	2	40,877	47,301
Cost of sales		(13,217)	(10,355)
Gross profit		27,660	36,946
Administrative expenses		(41,242)	(41,154)
Operating loss:			
Excluding exceptional items		(13,108)	(4,208)
Exceptional costs	4	(474)	-
Operating loss	3	(13,582)	(4,208)
Income from shares in group undertakings	7	-	30,000
(Loss)/profit on ordinary activities before taxation		(13,582)	25,792
Tax on (loss)/profit on ordinary activities	8	3,391	993
(Loss)/profit for the financial year	18	(10,191)	26,785

Turnover and operating loss derive wholly from continuing operations.

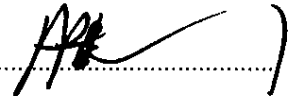
The company has no recognised gains or losses for the year other than the results for the year as set out above.

The notes on pages 6 to 17 form an integral part of these financial statements.

JCB SALES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2008

		2008		2007	
	Note	£ 000	£ 000	£ 000	£ 000
Fixed assets					
Tangible assets	10		2,922		3,315
Investments	11		2,674		3,716
			<u>5,596</u>		<u>7,031</u>
Current assets					
Stocks	12	2,922		4,243	
Debtors	13	255,689		170,797	
Cash at bank and in hand		<u>32,766</u>		<u>127,651</u>	
		291,377		302,691	
Creditors: Amounts falling due within one year	15	<u>(294,561)</u>		<u>(297,118)</u>	
Net current (liabilities)/assets			<u>(3,184)</u>		<u>5,573</u>
Net assets			<u>2,412</u>		<u>12,604</u>
Capital and reserves					
Profit and loss reserve	18		<u>2,412</u>		<u>12,604</u>
Shareholders' funds	19		<u>2,412</u>		<u>12,604</u>

Approved by the Board on 16 September 2009 and signed on its behalf by:



Sir Anthony Bamford DL
Chairman

The notes on pages 6 to 17 form an integral part of these financial statements.

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidation

The results of the subsidiary undertakings have not been included in the accounts of JCB Sales Limited as the company is itself a wholly-owned subsidiary of JCB Service, a company registered in England and Wales, for whom consolidated financial statements are prepared.

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 its parent company, JCB Service, publishes a consolidated cash flow statement which is publicly available.

Turnover

Turnover represents the invoice value of commissions earned on the sales of JCB products as agent and the invoice value of machines sold as principal, excluding VAT.

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. Assets in the course of construction or not in use are not depreciated.

The principal rates used are:

Demonstration machines	20%
Fixtures, fittings and office equipment	10% / 20% / 25% / 33.33%
Motor vehicles	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.

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Operating leases

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 SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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Pensions

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.

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.

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.

All transactions exchange differences are taken to the profit and loss account.

Provisions against investments

Provision is made for any diminution in the value of an investment which is considered to be permanent, based on the higher of value in use and net realisable value.

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

2 TURNOVER

The analysis of turnover is as follows:

	2008 £ 000	2007 £ 000
Commission earned	27,660	37,246
Machine sales	13,217	10,055
	<u>40,877</u>	<u>47,301</u>

An analysis of turnover, achieved through JCB Sales Limited as agent and principal, by geographical regions is given below:

	2008 £ 000	2007 £ 000
UK	26,696	37,246
Europe	14,181	10,055
	<u>40,877</u>	<u>47,301</u>

A further analysis of turnover is given below:

	2008 £ 000	2007 £ 000
Group	26,158	30,643
Non Group	13,217	10,055
Related parties outside the JCB Service Group	1,502	6,603
	<u>40,877</u>	<u>47,301</u>

3 OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2008 £ 000	2007 £ 000
Hire of plant and machinery	126	152
Auditors' remuneration - audit services	12	12
Profit on sale of tangible fixed assets	(270)	(592)
Depreciation of tangible fixed assets	1,060	1,120

4 EXCEPTIONAL ITEMS

	2008 £ 000	2007 £ 000
Redundancy costs	<u>474</u>	<u>-</u>

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

5 PARTICULARS OF EMPLOYEES

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

	2008 No.	2007 No.
Directors	7	7
Administration	203	208
	<u>210</u>	<u>215</u>

The aggregate payroll costs of these persons were as follows:

	2008 £ 000	2007 £ 000
Wages and salaries	11,171	12,887
Social security	966	854
Other pension costs	1,196	873
	<u>13,333</u>	<u>14,614</u>

6 DIRECTORS' EMOLUMENTS

The directors' emoluments for the year are as follows:

	2008 £ 000	2007 £ 000
Aggregate emoluments	<u>277</u>	<u>684</u>

Emoluments of the highest paid director:

	2008 £ 000	2007 £ 000
Total emoluments (excluding pension contributions)	<u>252</u>	<u>449</u>

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

	2008 No.	2007 No.
Defined benefit	<u>1</u>	<u>2</u>

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

7 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2008 £ 000	2007 £ 000
Dividend from subsidiary undertaking	-	30,000

8 TAXATION

Analysis of current period tax credit

	2008 £ 000	2007 £ 000
Current tax		
Corporation tax credit	(3,303)	(593)
Prior year adjustment	(167)	(43)
UK Corporation tax	(3,470)	(636)

Deferred tax

Origination and reversal of timing differences	26	(44)
Deferred tax adjustment relating to previous years	53	(313)
Total deferred tax	79	(357)

Total tax on (loss)/profit on ordinary activities

(3,391)	(993)
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Factors affecting current period tax credit

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2007 - lower than) the standard rate of corporation tax in the UK of 28.5% (2007 - 30.0%).

The differences are reconciled below:

	2008 £ 000	2007 £ 000
(Loss)/profit on ordinary activities before taxation	(13,582)	25,792
Standard rate corporation tax (credit)/charge	(3,871)	7,738
Excess of depreciation charge over capital allowances	81	(46)
Permanent differences	595	(8,378)
Other short term timing differences	(108)	93
Prior year adjustment	(167)	(43)
Total current tax for the year	(3,470)	(636)

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

9 DIVIDENDS

	2008 £ 000	2007 £ 000
Equity dividends		
Ordinary dividend paid	<u>-</u>	<u>20,000</u>

10 TANGIBLE FIXED ASSETS

	Plant and machinery £ 000	Fixtures, fittings & equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost				
As at 1 January 2008	4,936	1,408	1,325	7,669
Additions	687	804	(27)	1,464
Disposals	(1,558)	-	-	(1,558)
As at 31 December 2008	<u>4,065</u>	<u>2,212</u>	<u>1,298</u>	<u>7,575</u>
Depreciation				
As at 1 January 2008	2,509	844	1,001	4,354
Eliminated on disposals	(761)	-	-	(761)
Charge for the year	699	214	147	1,060
As at 31 December 2008	<u>2,447</u>	<u>1,058</u>	<u>1,148</u>	<u>4,653</u>
Net book value				
As at 31 December 2008	<u>1,618</u>	<u>1,154</u>	<u>150</u>	<u>2,922</u>
As at 31 December 2007	<u>2,427</u>	<u>564</u>	<u>324</u>	<u>3,315</u>

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

11 INVESTMENTS HELD AS FIXED ASSETS

	2008 £ 000	2007 £ 000
Shares in Group Company	25	25
Shares in Subsidiary Companies	2,649	2,589
Loan to Group Company	-	1,102
	<u>2,674</u>	<u>3,716</u>

Additional information is as follows:

	Shares in Group Company £ 000	Shares in Subsidiary Companies £ 000	Total £ 000
Cost			
As at 1 January 2008	25	2,589	2,614
Additions	-	60	60
As at 31 December 2008	<u>25</u>	<u>2,649</u>	<u>2,674</u>
Net book value			
As at 31 December 2008	<u>25</u>	<u>2,649</u>	<u>2,674</u>
As at 31 December 2007	<u>25</u>	<u>2,589</u>	<u>2,614</u>
			Loan to Group Company £ 000
As at 1 January 2008			1,102
Repaid			(1,102)
As at 31 December 2008			<u>-</u>

At 31 December 2008, the company held the following investments in subsidiary companies. All equity holdings are in ordinary shares.

	Equity Held	Principal Business	Country of Incorporation
JCB Materials Handling Limited	100%	Equipment manufacture and sales	UK
JCB Remarketing Limited	100%	Equipment distributor	UK
JCB Defence Products Limited	100%	Military equipment marketing	UK
JCB Europe EURL	100%	Equipment marketing	France
JCB Sales do Brasil Ltda	100%	Equipment distributor	Brazil
JCB Benelux Limited	100%	Holding company	UK
OOO JCB Russia	100%	Equipment distributor	Russia
and due to its holding in JCB Benelux Limited: JC Bamford NV	100%	Equipment distributor	The Netherlands

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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JCB Belgium NV	100%	Equipment distributor	Belgium
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The investment in group company represents a 4% holding in JCB SpA, a company incorporated in Italy. The remaining 96% is held by JCB Service.

12 STOCKS AND WORK IN PROGRESS

	2008 £ 000	2007 £ 000
Finished goods	<u>2,922</u>	<u>4,243</u>

13 DEBTORS

	2008 £ 000	2007 £ 000
Trade debtors	6,662	-
Amounts owed by group undertakings	191,863	105,700
Amounts owed by subsidiary undertakings	33,135	16,763
Amounts owed by associated undertakings	-	325
Amounts owed by related parties outside the JCB Service group	19,948	43,670
Other debtors	696	850
Deferred tax	282	361
Corporation tax	2,319	516
Prepayments and accrued income	784	2,612
	<u>255,689</u>	<u>170,797</u>

Included in trade debtors and amounts owed by group/subsidiary undertakings/related parties outside the JCB Service group, are amounts of £133,863,000 (2007 - £113,580,000) relating to debtors in respect of machine sales, represented by amounts owed to group/subsidiary undertakings/related parties outside the JCB Service group and not reflected in turnover. These amounts are stated net of amounts discounted without recourse of £195,501,000 (2007 - £182,236,000).

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

14 DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows:

	2008 £ 000	2007 £ 000
Included in debtors (note 13)	282	361

The movement in deferred taxation during the year was:

	2008 £ 000	2007 £ 000
Asset brought forward	(361)	(4)
Deferred tax provision charged/(credited) to the profit and loss account	79	(357)
Asset carried forward	(282)	(361)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2008 £ 000	2007 £ 000
Excess of depreciation on fixed assets over taxation allowances	(179)	(138)
Other timing differences	(103)	(223)
	(282)	(361)

The amount carried forward represents the full potential deferred tax asset.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £ 000	2007 £ 000
Bank overdraft	5,682	616
Trade creditors	2,870	4,129
Amounts owed to group undertakings	178,353	142,799
Amounts owed to subsidiary undertakings	61,605	51,761
Amounts owed to related parties outside the JCB Service group	327	40,087
Tax and social security	3,450	490
Other creditors	31,736	47,847
Accruals	10,538	9,389
	294,561	297,118

16 PENSION SCHEMES

The company is a participating employer in two defined benefit schemes: J C Bamford Lifeplan and J C Bamford Excavators Senior Directors and Executives Retirement Benefits Scheme. These schemes have a combined deficit of £22.5 million (£16.2 million net of deferred tax) - 2007 £20.1 million (£14.4 million net of deferred tax), calculated in accordance with FRS 17.

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

17 SHARE CAPITAL

	2008 £	2007 £
Authorised		
Equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
Equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

18 RESERVES

	Profit and loss reserve £ 000
Balance at 1 January 2008	12,603
Transfer from profit and loss account for the year	(10,191)
Balance at 31 December 2008	<u>2,412</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £ 000	2007 £ 000
(Loss)/profit attributable to members of the company	(10,191)	26,785
Dividends	<u>-</u>	<u>(20,000)</u>
	(10,191)	6,785
Opening shareholders' funds	<u>12,604</u>	<u>5,819</u>
Closing shareholders' funds	<u>2,412</u>	<u>12,604</u>

20 CONTINGENT LIABILITIES

During the year the company gave counter-indemnities to Barclays Bank Plc in respect of performance bonds given by the bank in support of certain export sales. The company's liability in respect of these at 31 December 2008 was £1,089,000 (2007 - £4,367,000).

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

..... continued

21 FOREIGN CURRENCY

As part of its normal operating activities, the company hedges exchange rate exposure on foreign currency transactions. It is the company's policy to manage this exposure through the use of forward currency contracts. The aggregate value of forward currency contracts at 31 December 2008 was £131,469,000 (2007 - £236,845,000). Potential unrecognised losses on these contracts at 31 December 2008, expected to be recognised during the next financial year, amount to £2,441,000 (2007 - £5,345,000).

22 GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review in the Directors' Report.

Current economic conditions create uncertainty, in particular over the level of demand for the company's products and the exchange rate between sterling and other currencies, notably the US dollar, euro and yen.

The JCB Service group has aggregate finance facilities in the form of loans and overdrafts of £256.1 million and \$65.0 million and has secured commitment to these facilities through to September 2010. The company acts as guarantor on those facilities. The JCB Service group also has invoice discounting facilities of £200.0 million in the UK. The group's forecasts and projections, taking account of expected changes in world markets and their consequent impact on trading performance, show that the group is able to operate within these facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis for preparing the annual report and accounts.

23 RELATED PARTIES

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.

During the year, the company acted as sales agent to JCB Compact Products Limited, a company in which Sir Anthony Bamford and his immediate family were shareholders until it was acquired by the JCB Service Group on 31 March 2008. During the period to 31 March 2008 the company earned 3% commission amounting to £1,502,000 (2007 - £6,603,000). The company also operates the sales ledger for JCB Compact Products Limited. The net amount owed to JCB Compact Products Limited at 31 March 2008 was £4,537,000 (2007 - £4,812,000).

The company subcontracts 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 £3,000 (2007 - £7,000). The company has also assigned to JCB Research trade debts due to the company of £8,450,000 (2007 - £Nil). The net amount owed to the company by JCB Research at 31 December 2008 was £8,293,000 (2007 - £507,000 owed by the company).

The company also operates the sales ledger for JCB Manufacturing Limited and JCB Construction Equipment (Shanghai) Limited, companies that are ultimately controlled by Bamford family interests. The net amounts due at 31 December 2008 were £314,000 (2007 - £3,260,000) due from JCB Manufacturing Limited and £11,013,000 (2007 - £5,642,000) due from JCB Construction Equipment (Shanghai) Limited.

Unless otherwise noted, all transactions are at arm's length.

JCB SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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24 ULTIMATE CONTROLLING PARTY

The company is 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.