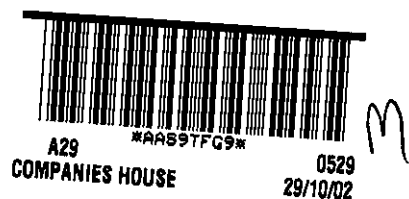


**JCB HYDRAPOWER LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE**  
**YEAR ENDED 31 DECEMBER 2001**

**Company Registration Number 1224998**



**HOWSONS**

**Chartered Accountants**

**Registered Auditors**

# **JCB HYDRAPOWER LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2001**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2001.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year has been the design and manufacture of cabs for JCB companies.

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 recommended the payment of a dividend for the year.

### **DIRECTORS AND SHAREHOLDINGS**

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

Sir Anthony Bamford DL  
J Patterson  
A S Thomson

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

### **RESEARCH AND DEVELOPMENT**

The company maintains a continued commitment to the development of its products in order to provide future product innovations. Research and development expenditure during the year amounted to £603,000 (2000 - £379,000).

### **THE EURO**

The company trades with a number of customers and suppliers who are resident in those European countries that are now members of the single currency, the Euro. The company has reviewed its financial accounting systems to ensure that those customers and suppliers who specifically request settlement in Euros can be accommodated. The company will continue to invoice its customers in sterling, but will accept payment in Euros, and has adapted its accounting systems to deal with the appropriate conversions. The costs of adaptation are largely internal and have not been quantified.

### **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).

# JCB HYDRAPOWER LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2001

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### 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

A handwritten signature in black ink, appearing to be 'A. Bamford', written over a horizontal line.

SIR ANTHONY BAMFORD DL  
CHAIRMAN

# **JCB HYDRAPOWER LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**YEAR ENDED 31 DECEMBER 2001**

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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 7 to 8, 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 HYDRAPOWER LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2001

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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.

### 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.

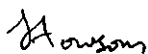
### BASIS OF AUDIT OPINION

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.

### 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 2001 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

28 JUNE 2002

# JCB HYDRAPOWER LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2001

	Note	2001 £ 000's	2000 £ 000's
<b>TURNOVER</b>	<b>2</b>	<b>8,522</b>	<b>6,439</b>
Cost of sales		<u>(7,467)</u>	<u>(5,824)</u>
<b>GROSS PROFIT</b>		<b>1,055</b>	<b>615</b>
Distribution costs		(123)	(99)
Administrative expenses		<u>(753)</u>	<u>(243)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>179</b>	<b>273</b>
Interest receivable	<b>6</b>	<b>27</b>	<b>9</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>206</b>	<b>282</b>
Tax on profit on ordinary activities	<b>7</b>	<u>(166)</u>	<u>(134)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>40</b>	<b>148</b>

### 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 7 to 13 form part of these financial statements.

# JCB HYDRAPOWER LIMITED

## BALANCE SHEET

31 DECEMBER 2001

	Note	£ 000's	2001 £ 000's	£ 000's	2000 £ 000's
<b>FIXED ASSETS</b>					
Tangible assets	8		8,250		8,432
<b>CURRENT ASSETS</b>					
Stocks	9	154		279	
Debtors	10	1,470		2,807	
Cash at bank		1,369		-	
		2,993		3,086	
<b>CREDITORS: Amounts falling due within one year</b>	11	(2,467)		(2,933)	
<b>NET CURRENT ASSETS</b>			526		153
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,776		8,585
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	13		(535)		(311)
Other provisions	14		(141)		(214)
			8,100		8,060
<b>CAPITAL AND RESERVES</b>					
Share capital	16		332		332
Profit and loss account	17		7,768		7,728
<b>SHAREHOLDERS' FUNDS</b>	18		8,100		8,060

These financial statements were approved by the board of directors on the 28 June 2002



SIR ANTHONY BAMFORD DL

The notes on pages 7 to 13 form part of these financial statements.

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

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### 1. ACCOUNTING POLICIES

#### Accounting convention

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

#### 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 goods sold, 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, other than freehold land and assets in the course of construction or not in use which are not depreciated.

The principal rates used are:

Freehold buildings - Industrial	- 2%
Plant and machinery	- 10% / 25%
Fixtures, fittings and office equipment	- 10% / 20% / 33%
Motor vehicles	- 25%
Computers	- 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 HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 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

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end or, if appropriate, at the forward contract rate. Differences arising from changes in exchange rates, together with gains or losses on trading transactions (arising on differences between conversion at the rates prevailing on the date of a transaction and on the date of settlement), are taken to the profit and loss account.

#### 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.

#### 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 provision for liabilities and charges, with amounts recoverable from suppliers included in other debtors.

### 2. TURNOVER

The analysis of turnover by geographical regions is as follows:

	2001 £ 000's	2000 £ 000's
<b>Group</b>		
United Kingdom	4,034	1,902
<b>Other JCB Companies</b>		
United Kingdom	4,488	4,537
	<u>8,522</u>	<u>6,439</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2001 £ 000's	2000 £ 000's
Depreciation of tangible fixed assets	519	450
Loss on disposal of tangible fixed assets	-	51
Auditors' remuneration		
- for auditing	8	12
- for other services	12	-
Operating lease costs		
- plant and equipment	50	32
Loss/(Profit) on exchange	7	(8)
Research and development	603	379

### 4. STAFF NUMBERS AND COSTS

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

	2001 No.	2000 No.
Directors	3	3
Administration	22	27
Production	76	54
Temporary employees	16	25
	117	109

The aggregate payroll costs of these persons were as follows:

	2001 £ 000's	2000 £ 000's
Wages and salaries	2,507	1,813
Social security costs	192	140
Other pension costs	146	86
	2,845	2,039

### 5. DIRECTORS' REMUNERATION

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

	2001 £ 000's	2000 £ 000's
Aggregate emoluments	15	-

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

	2001 No.	2000 No.
Defined benefit schemes	1	-

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 6. INTEREST RECEIVABLE

	2001 £ 000's	2000 £ 000's
Group interest	<u>27</u>	<u>9</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £ 000's	2000 £ 000's
Corporation Tax based on the results for the year at 30% (2000 - 30%)	(58)	(87)
Increase in deferred tax provision	<u>224</u>	<u>221</u>
	<u>166</u>	<u>134</u>

### 8. TANGIBLE FIXED ASSETS

	Land and Buildings £ 000's	Plant and Machinery £ 000's	Fixtures, Fittings and Equipment £ 000's	Assets in Course of Construction £ 000's	Total £ 000's
<b>COST</b>					
At 1 January 2001	5,992	3,468	546	-	10,006
Additions	3	14	5	317	339
Disposals	-	-	(5)	-	(5)
Transfer	(1)	52	(59)	-	(8)
<b>At 31 December 2001</b>	<u>5,994</u>	<u>3,534</u>	<u>487</u>	<u>317</u>	<u>10,332</u>
<b>DEPRECIATION</b>					
At 1 January 2001	783	522	269	-	1,574
Charge for the year	102	373	44	-	519
On disposals	-	-	(5)	-	(5)
Transfer	1	-	(7)	-	(6)
<b>At 31 December 2001</b>	<u>886</u>	<u>895</u>	<u>301</u>	<u>-</u>	<u>2,082</u>
<b>NET BOOK VALUE</b>					
<b>At 31 December 2001</b>	<u>5,108</u>	<u>2,639</u>	<u>186</u>	<u>317</u>	<u>8,250</u>
At 31 December 2000	<u>5,209</u>	<u>2,946</u>	<u>277</u>	<u>-</u>	<u>8,432</u>

i) All land and buildings are freehold.

ii) Freehold industrial land of £873,000 (2000 - £873,000) has not been depreciated.

#### Capital commitments

	2001 £ 000's	2000 £ 000's
Contracted but not provided for in the accounts	<u>636</u>	<u>-</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 9. STOCKS

	2001 £ 000's	2000 £ 000's
Production parts and materials	94	223
Work in progress	45	-
Finished goods for resale	15	56
	<u>154</u>	<u>279</u>

### 10. DEBTORS

	2001 £ 000's	2000 £ 000's
Trade debtors	23	24
Amounts owed by group undertakings	615	803
Amounts owed by JCB companies	527	1,663
Corporation tax	251	281
Other debtors	-	6
Prepayments	54	30
	<u>1,470</u>	<u>2,807</u>

### 11. CREDITORS: Amounts falling due within one year

	2001 £ 000's	2000 £ 000's
Bank overdraft	-	223
Trade creditors	1,481	1,482
Amounts owed to group undertakings	519	736
Amounts owed to JCB companies	293	423
Amounts owed to other related parties	10	7
Accruals	164	62
	<u>2,467</u>	<u>2,933</u>

### 12. 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 £15.4 million, calculated in accordance with FRS 17.

### 13. DEFERRED TAXATION

	2001 £ 000's	2000 £ 000's
The movement in the deferred taxation provision during the year was:		
Provision brought forward	311	90
Increase in provision	224	221
Provision carried forward	<u>535</u>	<u>311</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 13. DEFERRED TAXATION *(continued)*

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

	2001		2000	
	Provided £ 000's	Unprovided £ 000's	Provided £ 000's	Unprovided £ 000's
Excess of taxation allowances over depreciation on fixed assets	<u>535</u>	<u>477</u>	<u>311</u>	<u>173</u>

### 14. OTHER PROVISIONS

	2001 £ 000's
<b>Other provisions - Warranty:</b>	
At 1 January 2001	214
Additional provisions made in the year	80
Amounts used	(141)
Unused amounts reversed	(12)
At 31 December 2001	<u>141</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.

### 15. 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 £102,000 (2000 - £45,000).

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 £50,000 (2000 - £39,000). The net amount owed by the company to Iracraft Limited at 31 December 2001 was £10,000 (2000 - £7,000).

The company has supplied cabs to JCB Compact Products Limited during the year, a company in which Sir Anthony Bamford and his immediate family are shareholders, and the total value of these sales amounted to £4,488,000 (2000 - £4,537,000). The net amount owed to the company by JCB Compact Products Limited in respect of these sales at 31 December 2001 was £523,000 (2000 - £630,000). The company has also received from JCB Compact Products Limited a technical assistance fee for the year amounting to £222,000 (2000 - £435,000) which is owed to the company at 31 December 2001.

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

### 16. SHARE CAPITAL

#### Authorised share capital:

	2001	2000
	£	£
332,294 Ordinary shares of £1.00 each	<u>332,294</u>	<u>332,294</u>

#### Allotted, called up and fully paid:

	2001	2000
	£	£
Ordinary share capital	<u>332,294</u>	<u>332,294</u>

### 17. PROFIT AND LOSS ACCOUNT

	2001	2000
	£ 000's	£ 000's
At 1 January 2001	7,728	7,580
Retained profit for the financial year	<u>40</u>	<u>148</u>
At 31 December 2001	<u>7,768</u>	<u>7,728</u>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£ 000's	£ 000's
Profit for the financial year	<u>40</u>	<u>148</u>
Net increase in shareholders' funds	<u>40</u>	<u>148</u>
Shareholders' funds at 1 January 2001	<u>8,060</u>	<u>7,912</u>
Shareholders' funds at 31 December 2001	<u>8,100</u>	<u>8,060</u>

Shareholders' funds are wholly attributable to equity interests.

### 19. 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.