

The Directors present their annual report together with the audited accounts for the year ended 31st December, 1984.

BUSINESS REVIEW

The Company's principal activities during the year have been the manufacture and supply of hydraulic power packs, trailers and attachments.

A geographical analysis of turnover is given in Note 2 to the accounts.

RESULTS AND DIVIDEND

The loss for the year before taxation and after providing for all charges amounted to £266,603 (1983 Loss £44,401).

The Directors do not recommend the payment of a dividend.

DIRECTORS

The following were Directors of the Company during the year and their respective interests in shares were as follows:-

	<u>31/12/84</u>	<u>31/12/83</u>
Mr. A.P. Bamford	-	-
Mr. R.W. Ryeland	50,000	50,000
Mr. G. Johnston	-	-
Mr. C. Marsden - resigned 30th April, 1984	-	-

Mr. A.P. Bamford, the director retiring by rotation, being eligible, offers himself for re-election.

FIXED ASSETS

The Directors are of the opinion that at the end of the year there was no material difference between the market value of the land and buildings which were purchased in 1982 and the cost as stated in the accounts.

The movements of fixed assets are set out in Note 8 to the accounts.

TAX STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act, 1970.

AUDITORS

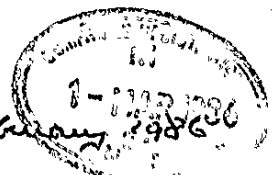
The auditors, Messrs. C. Howson & Co., have expressed their willingness to continue in office and a resolution to reappoint them will be put to the members at the Annual General Meeting.

SIGNED ON BEHALF OF THE BOARD

CHAIRMAN

DATE

27th February 1985



REPORT OF THE AUDITORS

TO THE MEMBERS OF J.C.B. HYDRAPOWER LIMITED

We have audited the annexed accounts and notes thereon in accordance with approved auditing standards.

In our opinion, these accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company at 31st December, 1984 and of the results and source and application of funds for the year then ended and comply with the Companies Act 1985.

27th February 1986
STOKE-ON-TRENT

C Howson & Co
CHARTERED ACCOUNTANTS

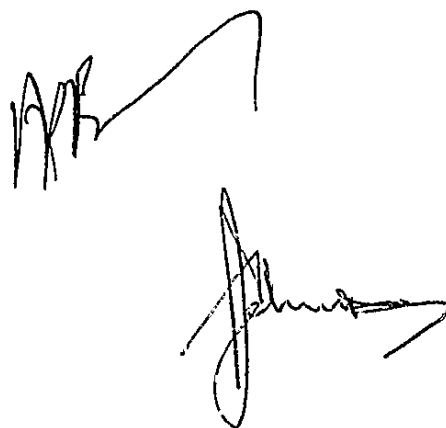
J.C.B. HYDRAPOWER LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1984

		<u>1984</u>	<u>1983</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
TURNOVER	2	895,649	1,013,704
COST OF SALES		<u>856,463</u>	<u>788,501</u>
GROSS PROFIT		39,186	225,203
DISTRIBUTION COSTS		99,519	119,558
ADMINISTRATIVE EXPENSES		<u>164,606</u>	<u>126,913</u>
		<u>264,125</u>	<u>246,471</u>
OPERATING LOSS	3	224,939	21,268
INTEREST PAYABLE	6	<u>41,664</u>	<u>23,133</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		266,603	44,401
TAXATION	7	<u>-</u>	<u>(22,233)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		266,603	22,168
DEFICIENCY BROUGHT FORWARD		<u>377,084</u>	<u>354,916</u>
DEFICIENCY CARRIED FORWARD		<u>643,687</u>	<u>377,084</u>

J.C.B. HYDRAPOWER LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1984

		<u>1984</u>	<u>1983</u>
	<u>NOTES</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	8	271,114	272,723
CURRENT ASSETS			
Stocks	9	127,081	180,925
Debtors	10	256,135	240,770
Cash		<u>-</u>	<u>305</u>
		383,216	422,000
CREDITORS: amounts falling due within one year	11	<u>965,723</u>	<u>739,513</u>
NET CURRENT LIABILITIES		(582,507)	(317,513)
NET LIABILITIES		<u>(311,393)</u>	<u>(44,790)</u>
CAPITAL AND RESERVES			
Called up Share Capital	12	332,294	332,294
Profit and Loss Account - deficit		(643,687)	(377,084)
		<u>(311,393)</u>	<u>(44,790)</u>

The accounts were approved by the Board of Directors on *27th February 1986*



J.C.B. HYDRAPOWER LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1984

	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
SOURCE OF FUNDS		
(Loss) on ordinary activities before taxation	(266,603)	(44,401)
Adjustment for items not involving the movement of funds		
Depreciation	<u>33,675</u>	<u>30,792</u>
TOTAL ABSORBED BY OPERATIONS	(232,928)	(13,609)
FUNDS FROM OTHER SOURCES		
Sale of Tax Losses	<u>—</u>	<u>22,233</u>
	(232,928)	8,624
APPLICATION OF FUNDS		
Purchases less disposals of Tangible fixed assets	<u>32,066</u>	<u>106,386</u>
DECREASE IN WORKING CAPITAL	(264,994)	(97,762)
REPRESENTED BY:-		
(Decrease) in Stocks	(53,844)	(19,559)
Increase/(Decrease) in Debtors	15,365	(115,114)
(Increase)/Decrease in Creditors	<u>(47,263)</u>	<u>193,839</u>
	(85,742)	59,166
MOVEMENT IN NET LIQUID FUNDS		
(Decrease)/Increase in Cash	(305)	199
(Increase) in Short Term Bank Loan and Overdraft	<u>(178,947)</u>	<u>(157,127)</u>
	(179,252)	(156,928)
	(264,994)	(97,762)

J.C.B. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1984

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

GOING CONCERN BASIS

The accounts have been prepared on a going concern basis, the shareholders having informed the board that it is their present intention to support the operations of the company.

DEPRECIATION

Depreciation of tangible fixed assets is calculated so as to write off the original cost by equal annual instalments over the expected useful lives of the assets concerned.

The rates used are:-

Buildings	2%
Plant and Equipment	10% - 25%

STOCKS AND WORK IN PROGRESS

Stocks and work in progress have been consistently valued at the lower of cost and net realisable value, with due allowance being made for any obsolete or slow moving items. Cost includes attributable overheads.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off to revenue when it is incurred.

2. TURNOVER

Turnover represents the invoice value of goods sold (excluding value added tax).

The analysis by geographical regions is as follows:-

	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
United Kingdom	611,112	694,969
Middle East	8,149	59,571
Africa	29,227	68,890
Europe	215,479	131,009
Other	<u>31,682</u>	<u>59,265</u>
	<u>895,649</u>	<u>1,013,704</u>

J.C.B. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1984

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss before taxation has been arrived at after charging the following items:

	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Directors' remuneration	10,229	21,595
Auditors' remuneration	1,800	1,750
Depreciation on tangible fixed assets	33,675	30,792

4. STAFF NUMBERS AND COST

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

	<u>1984</u>	<u>1983</u>
	<u>Number</u>	<u>Number</u>
Management and Sales	14	15
Production	<u>7</u>	<u>7</u>
	21	22
	—	—

The aggregate payroll costs of these employees was as follows:-

	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Wages and Salaries	194,090	174,480
Social Security costs	13,969	16,117
Other pension costs	<u>11,982</u>	<u>12,887</u>
	220,041	203,484
	—	—

5. DIRECTORS REMUNERATION

Excluding pension contributions the emoluments of the chairman were £Nil (1983 £Nil) and the emoluments of the highest paid director were £8,339 (1983 £19,800).

The number of other directors whose emoluments were within the following ranges were:-

	<u>1984</u>	<u>1983</u>
£Nil to £5,000	2	2

J.C.B. HYDRAPOWER LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1984

6. INTEREST PAYABLE	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Short term loan and overdraft	41,664	23,133

7. TAXATION

Available Tax losses of approximately £240,000 will be surrendered to the U.K. Holding Company (J.C.B. Service) who will make payment for these losses of approximately £110,000

8. TANGIBLE FIXED ASSETS	<u>FREEHOLD PROPERTY</u>	<u>PLANT AND MACHINERY</u>	<u>TOTAL</u>
	<u>£</u>	<u>£</u>	<u>£</u>
COST			
Balance 31 December 1983	198,109	137,102	335,211
Additions	17,445	18,525	35,970
Disposals	<u>-</u>	<u>(13,920)</u>	<u>(13,920)</u>
Balance 31 December 1984	215,554	141,707	357,261
DEPRECIATION			
Balance 31 December 1983	3,250	59,238	62,488
Charge for the year	4,423	29,252	33,675
Disposals	<u>-</u>	<u>(10,016)</u>	<u>(10,016)</u>
Balance 31 December 1984	7,673	78,474	86,147
NET BOOK VALUE			
At 31 December 1984	207,881	63,233	271,114
At 31 December 1983	194,859	77,864	272,723

9. STOCKS	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Production materials and parts	85,564	129,932
Finished Products	41,517	50,993
	<u>127,081</u>	<u>180,925</u>

J.C.B. HYDRAPOWER LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1984

10. DEBTORS	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Trade Debtors	200,092	144,430
Amount due from Holding Company	37,255	23,847
Amount due from Group Companies	5,846	19,248
Amount due from J.C.B. Companies	-	16,524
Other Debtors	12,942	6,506
Prepayments	<u>-</u>	<u>30,215</u>
	<u>256,135</u>	<u>240,770</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Trade Creditors	85,073	154,821
Amounts due to Group Companies	139,916	2,325
Amounts due to J.C.B. Companies	1,415	-
Other Creditors	6,637	12,675
Accruals	16,528	29,886
Social Security	1,080	3,679
Bank Loan	227,005	201,264
Bank Overdraft	<u>488,069</u>	<u>334,863</u>
	<u>965,723</u>	<u>739,513</u>

The bank loan is secured by a charge over the freehold land and buildings.

12. SHARE CAPITAL	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Authorised, Issued and fully paid.		
332,294 Ordinary Shares of £1 each	<u>332,294</u>	<u>332,294</u>

13. DEFERRED TAXATION

Because timing differences brought about by accelerated capital allowances are covered by taxation losses brought forward there is no potential liability to deferred tax.

14. ULTIMATE HOLDING COMPANY

The company is a subsidiary of J.C.B. Service, a company registered in the United Kingdom. The ultimate holding company is Transmissions and Engineering Services Netherlands B.V., a company registered in the Netherlands.