

**JCB CAB SYSTEMS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE**  
**YEAR ENDED 31 DECEMBER 2004**

**Company Registration Number 1224998**



**HOWSONS**

**Chartered Accountants**

**Registered Auditors**

# JCB CAB SYSTEMS LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2004.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year has been the design and manufacture of cabs for JCB group and non-group 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 have recommended the following dividends:

	2004 £000	2003 £000
Dividends paid on ordinary shares	<u>2,000</u>	<u>—</u>

The directors do not recommend the payment of a further 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 P Blandford

None of the directors had any direct interest in the share capital of the company at any time during the year. The company is a wholly-owned subsidiary of JCB Service, whose ultimate parent company is owned by Bamford family interests.

A P Blandford resigned as a director on 5 November 2004.

### 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 £535,000 (2003 - £399,000).

### 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).

### 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.

# **JCB CAB SYSTEMS LIMITED**

## **THE DIRECTORS' REPORT *(continued)***

**YEAR ENDED 31 DECEMBER 2004**

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Signed on behalf of the directors



**SIR ANTHONY BAMFORD DL  
CHAIRMAN**

# **JCB CAB SYSTEMS LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**YEAR ENDED 31 DECEMBER 2004**

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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 8 to 9, 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 CAB SYSTEMS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JCB CAB SYSTEMS LIMITED**

**YEAR ENDED 31 DECEMBER 2004**

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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.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit 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 auditor's 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 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.

# JCB CAB SYSTEMS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JCB CAB SYSTEMS LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2004

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### 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 2004 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Howsons', enclosed within a large, loopy circular flourish.

**HOWSONS**

Chartered Accountants  
Registered Auditors

Winton House  
Stoke Road  
Stoke on Trent  
Staffordshire  
ST4 2RW

7 July 2005

# JCB CAB SYSTEMS LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
<b>TURNOVER</b>	<b>2</b>	<b>26,097</b>	21,107
Cost of sales		<u>(23,138)</u>	<u>(19,253)</u>
<b>GROSS PROFIT</b>		<b>2,959</b>	1,854
Distribution costs		(268)	(206)
Administrative expenses		<u>(1,102)</u>	<u>(1,117)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>1,589</b>	531
Interest receivable	<b>6</b>	<b>130</b>	67
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u><b>1,719</b></u>	<u>598</u>
Tax on profit on ordinary activities	<b>7</b>	<u>(519)</u>	<u>(183)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u><b>1,200</b></u>	<u>415</u>
Dividends	<b>8</b>	<u>(2,000)</u>	—
<b>(DEFICIT)/RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>(800)</b></u>	<u>415</u>

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

All of the activities of the company are classed as continuing.

The notes on pages 8 to 15 form part of these financial statements.

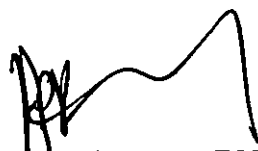
# JCB CAB SYSTEMS LIMITED

## BALANCE SHEET

31 DECEMBER 2004

	Note	£000	2004 £000	£000	2003 £000
<b>FIXED ASSETS</b>					
Tangible assets	9		8,180		8,390
<b>CURRENT ASSETS</b>					
Stocks	10	585		600	
Debtors	11	3,379		2,712	
Cash at bank		1,920		2,026	
		5,884		5,338	
<b>CREDITORS: Amounts falling due within one year</b>	12	4,613		3,490	
<b>NET CURRENT ASSETS</b>			1,271		1,848
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			9,451		10,238
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	14		837		779
Other Provisions	15		180		225
			8,434		9,234
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	17		332		332
Profit and loss account	18		8,102		8,902
<b>SHAREHOLDERS' FUNDS</b>	19		8,434		9,234

These financial statements were approved by the directors on the 7 July 2005 and are signed on their behalf by:



SIR ANTHONY BAMFORD DL

The notes on pages 8 to 15 form part of these financial statements.



# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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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 products sold, excluding VAT. The company recognises revenues from sales of products upon despatch.

#### 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%
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.

#### Pension costs

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 contributions schemes by charging them to the profit and loss account as incurred.

# **JCB CAB SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2004**

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### **1. ACCOUNTING POLICIES** *(continued)*

#### **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.

Other transactional exchange differences are taken to the profit and loss account.

#### **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.

#### **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.

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 2. TURNOVER

The analysis of turnover by geographical regions is as follows:

	2004 £000	2003 £000
<b>Group</b>		
United Kingdom	20,521	16,458
North America	6	—
<b>Related companies outside the JCB Service group</b>		
United Kingdom	5,570	4,649
	<u>26,097</u>	<u>21,107</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £000	2003 £000
Depreciation of tangible fixed assets	624	603
Loss on disposal of tangible fixed assets	4	5
Auditors' remuneration		
- for auditing	12	13
- taxation	3	—
Operating lease costs		
- plant and equipment	148	128
Loss on exchange	183	187
Research and development	535	399
	<u>          </u>	<u>          </u>

### 4. STAFF NUMBERS AND COSTS

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

	2004 No	2003 No
Directors	3	3
Administration	40	34
Production	149	122
Temporary employees	51	49
	<u>243</u>	<u>208</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	5,932	4,782
Social security costs	470	369
Other pension costs	476	374
	<u>6,878</u>	<u>5,525</u>

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 5. DIRECTORS' REMUNERATION

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

	2004 £000	2003 £000
Aggregate emoluments	<u>20</u>	<u>20</u>

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

	2004 No	2003 No
Defined benefit schemes	<u>2</u>	<u>2</u>

### 6. INTEREST RECEIVABLE

	2004 £000	2003 £000
Group interest	<u>130</u>	<u>67</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a)

	2004 £000	2003 £000
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	461	95
Prior Year Adj	<u>-</u>	<u>(122)</u>
Total current tax	461	(27)
Deferred tax:		
Increase in deferred tax provision	<u>58</u>	<u>210</u>
Tax on profit on ordinary activities	<u>519</u>	<u>183</u>

#### (b) Factors affecting current tax charge

	2004 £000	2003 £000
Profit on ordinary activities before taxation	<u>1,719</u>	<u>598</u>
Profit on ordinary activities at standard rate	516	179
Excess of capital allowances over depreciation charge	(58)	(84)
Permanent differences	<u>3</u>	<u>-</u>
Total current tax (note 7(a))	<u>461</u>	<u>95</u>

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 8. DIVIDENDS

The following dividends have been paid in respect of the year:

	2004 £000	2003 £000
Dividends Paid	<u>2,000</u>	<u>—</u>

### 9. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Plant and Machinery £000	Fixtures, Fittings and Equipment £000	Assets in Course of Construction £000	Total £000
<b>COST</b>					
At 1 January 2004	5,999	4,904	441	261	11,605
Additions	—	404	16	—	420
Disposals	—	(66)	(23)	—	(89)
Transfer	4	256	—	(261)	(1)
<b>At 31 December 2004</b>	<u>6,003</u>	<u>5,498</u>	<u>434</u>	<u>—</u>	<u>11,935</u>
<b>DEPRECIATION</b>					
At 1 January 2004	1,090	1,797	328	—	3,215
Charge for the year	103	483	38	—	624
On disposals	—	(61)	(23)	—	(84)
<b>At 31 December 2004</b>	<u>1,193</u>	<u>2,219</u>	<u>343</u>	<u>—</u>	<u>3,755</u>
<b>NET BOOK VALUE</b>					
<b>At 31 December 2004</b>	<u>4,810</u>	<u>3,279</u>	<u>91</u>	<u>—</u>	<u>8,180</u>
At 31 December 2003	<u>4,909</u>	<u>3,107</u>	<u>113</u>	<u>261</u>	<u>8,390</u>

i) All land and buildings are freehold.

ii) Freehold industrial land of £873,000 (2003 - £873,000) has not been depreciated.

### 10. STOCKS

	2004 £000	2003 £000
Production parts and materials	400	363
Work in progress	79	155
Finished goods for resale	106	82
	<u>585</u>	<u>600</u>

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 11. DEBTORS

	2004	2003
	£000	£000
Trade debtors	6	–
Amounts owed by group undertakings	2,160	1,966
Amounts owed by related companies outside the JCB Service group	752	439
Taxation and social security	347	169
Corporation tax	–	98
Other debtors	65	–
Prepayments	49	40
	<u>3,379</u>	<u>2,712</u>

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

	2004	2003
	£000	£000
Trade creditors	3,453	2,753
Amounts owed to group undertakings	687	418
Amounts owed to related companies outside the JCB Service group	15	11
Amounts owed to other related parties	15	12
Corporation tax	87	–
Taxation and social security	193	133
Other creditors	–	7
Accruals	163	156
	<u>4,613</u>	<u>3,490</u>

### 13. 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. These schemes have a combined deficit of £94.7 million (£66.3 million net of deferred tax) - 2003 £93.5 million (£65.5 million net of deferred tax), calculated in accordance with FRS 17.

### 14. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2004	2003
	£000	£000
Provision brought forward	779	569
Profit and loss account movement arising during the year	58	210
Provision carried forward	<u>837</u>	<u>779</u>

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

	2004	2003
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	837	779
	<u>837</u>	<u>779</u>

The provision carried forward above represents the full potential liability.

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 15. OTHER PROVISIONS

	2004 £000
<b>Warranty:</b>	
At 1 January 2004	225
Additional provisions made in the year	88
Amounts used	(133)
At 31 December 2004	<u>180</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.

### 16. 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 and the Executors for the late Mrs J C Bamford were shareholders of one half of the share capital each. 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 £44,000 (2003 - £107,000).

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 £93,000 (2003 - £70,000). The net amount owed by the company to Iracraft Limited at 31 December 2004 was £15,000 (2003 - £12,000).

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 £5,570,000 (2003 - £4,728,000). The net amount owed to the company by JCB Compact Products Limited at 31 December 2004 was £707,000 (2003 - £439,000).

### 17. SHARE CAPITAL

#### Authorised share capital:

	2004 £	2003 £
332,294 Ordinary shares of £1.00 each	<u>332,294</u>	<u>332,294</u>

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

	2004 £	2003 £
Ordinary share capital	<u>332,294</u>	<u>332,294</u>

# JCB CAB SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

### 18. PROFIT AND LOSS ACCOUNT

	2004	2003
	£000	£000
At 1 January 2004	8,902	8,487
(Deficit)/Retained profit for the financial year	(800)	415
At 31 December 2004	<u>8,102</u>	<u>8,902</u>

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

	2004	2003
	£000	£000
Profit for the financial year	1,200	415
Dividends	(2,000)	—
	(800)	415
Opening shareholders' equity funds	<u>9,234</u>	<u>8,819</u>
Closing shareholders' equity funds	<u>8,434</u>	<u>9,234</u>

Shareholders' funds are wholly attributable to equity interests.

### 20. 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.