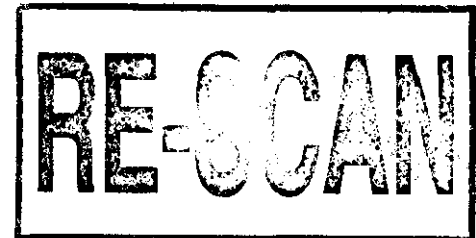


**JCB HYDRAPOWER LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE**  
**YEAR ENDED 31 DECEMBER 2000**

Company Registration Number 1224998



**HOWSONS**

Chartered Accountants

Registered Auditors

26-10-01  
95

# **JCB HYDRAPOWER LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2000**

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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 2000.

### **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 (1999 - £10,000,000 paid).

### **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 £379,000 (1999 - £435,000).

### **THE EURO**

The company trades with a number of customers and suppliers who are resident in those European countries that have entered into the first phase of the introduction of the single currency, the Euro, with effect from 1 January 1999. 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 2000

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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



SIR ANTHONY BAMFORD DL  
CHAIRMAN

# **JCB HYDRAPOWER LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**YEAR ENDED 31 DECEMBER 2000**

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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

## AUDITORS' REPORT TO THE DIRECTORS

YEAR ENDED 31 DECEMBER 2000

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We have audited the financial statements on pages 5 to 14, which have been prepared under the historical cost convention, and the accounting policies set out on pages 7 to 8.

### 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. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

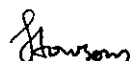
### BASIS OF OPINION

We conducted our audit in accordance with 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 2000 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 2001

# JCB HYDRAPOWER LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2000

	Note	£ 000's	2000 £ 000's	£ 000's	1999 £ 000's
<b>TURNOVER</b>	<b>2</b>				
Continuing operations		6,439		2,497	
Discontinued operations		-		<u>12,904</u>	
			<b>6,439</b>		<b>15,401</b>
Cost of sales	<b>3</b>		<b>(5,824)</b>		<b>(12,660)</b>
<b>GROSS PROFIT</b>			<b>615</b>		<b>2,741</b>
Net operating expenses	<b>3</b>		<b>342</b>		<b>1,655</b>
<b>OPERATING PROFIT:</b>	<b>4</b>				
Continuing operations		273		(1,064)	
Discontinued operations		-		<u>2,150</u>	
			<b>273</b>		<b>1,086</b>
Interest receivable	<b>7</b>		<b>9</b>		<b>310</b>
Interest payable	<b>8</b>		-		<b>(1)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			<b>282</b>		<b>1,395</b>
Tax on profit on ordinary activities	<b>9</b>		<b>(134)</b>		<b>(200)</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			<b>148</b>		<b>1,195</b>
Dividends	<b>10</b>		-		<b>10,000</b>
<b>RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR</b>			<b>148</b>		<b>(8,805)</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.

The notes on pages 7 to 14 form part of these financial statements.

# JCB HYDRAPOWER LIMITED

## BALANCE SHEET

31 DECEMBER 2000

	Note	£ 000's	2000 £ 000's	£ 000's	1999 £ 000's
<b>FIXED ASSETS</b>					
Tangible assets	11		8,432		6,845
<b>CURRENT ASSETS</b>					
Stocks	12	279		219	
Debtors	13	2,807		4,573	
		<u>3,086</u>		<u>4,792</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(2,933)</u>		<u>(3,238)</u>	
<b>NET CURRENT ASSETS</b>			<u>153</u>		<u>1,554</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,585</u>		<u>8,399</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	15		(311)		(90)
Other provisions	16		(214)		(397)
			<u>8,060</u>		<u>7,912</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18		332		332
Profit and loss account	19		<u>7,728</u>		<u>7,580</u>
<b>SHAREHOLDERS' FUNDS</b>	20		<u>8,060</u>		<u>7,912</u>

These financial statements were approved by the board of directors on the 28 JUNE 2001,



SIR ANTHONY BAMFORD DL

The notes on pages 7 to 14 form part of these financial statements.

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

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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.

#### 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

The company is a participant in The J C Bamford Lifeplan which is a funded, defined benefit scheme. 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 triennial actuarial valuation was carried out as at 6 April 1998. Full disclosure of the results of this latter valuation is given in the financial statements of JCB Service.



# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

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

#### 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:

	2000 £ 000's	1999 £ 000's
<b>Group</b>		
United Kingdom	1,902	134
Europe	-	4,017
North America	-	599
Far East	-	9
<b>Non-Group</b>		
United Kingdom	4,537	10,154
Europe	-	430
Middle East	-	10
Far East	-	12
South America	-	36
	<u>6,439</u>	<u>15,401</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 3. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £ 000's	Discontinued Operations £ 000's	Total £ 000's
<b>YEAR ENDED 31 DECEMBER 2000</b>			
Cost of sales	<u>5,824</u>	<u>-</u>	<u>5,824</u>
Distribution costs	99	-	99
Administrative expenses	<u>243</u>	<u>-</u>	<u>243</u>
Net operating expenses	<u>342</u>	<u>-</u>	<u>342</u>
<b>YEAR ENDED 31 DECEMBER 1999</b>			
Cost of sales	<u>3,017</u>	<u>9,643</u>	<u>12,660</u>
Distribution costs	73	414	487
Administrative expenses	<u>471</u>	<u>697</u>	<u>1,168</u>
Net operating expenses	<u>544</u>	<u>1,111</u>	<u>1,655</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2000 £ 000's	1999 £ 000's
Depreciation of tangible fixed assets	450	369
Loss/(Profit) on disposal of tangible fixed assets	51	(22)
Auditors' remuneration		
- for auditing	12	9
Operating lease costs:		
Plant and equipment	32	29
(Profit)/Loss on exchange	(8)	245
Research and development	<u>379</u>	<u>435</u>

### 5. STAFF NUMBERS AND COSTS

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

	2000 No.	1999 No.
Directors	3	3
Administration	27	28
Production	54	62
Temporary employees	<u>25</u>	<u>33</u>
	<u>109</u>	<u>126</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 5. STAFF NUMBERS AND COSTS *(continued)*

The aggregate payroll costs of these persons were as follows:

	2000 £ 000's	1999 £ 000's
Wages and salaries	1,813	2,344
Social security costs	140	204
Other pension costs	86	120
	<u>2,039</u>	<u>2,668</u>

### 6. DIRECTORS' REMUNERATION

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

	2000 £ 000's	1999 £ 000's
Aggregate emoluments	<u>-</u>	<u>46</u>

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

	2000 No.	1999 No.
Defined benefit schemes	<u>-</u>	<u>1</u>

### 7. INTEREST RECEIVABLE

	2000 £ 000's	1999 £ 000's
Group interest	<u>9</u>	<u>310</u>

### 8. INTEREST PAYABLE

	2000 £ 000's	1999 £ 000's
On bank overdraft	<u>-</u>	<u>1</u>

### 9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £ 000's	1999 £ 000's
In respect of the year:		
Corporation Tax based on the results for the year at 30% (1999 - 30.25%)	(87)	326
Increase/(Decrease) in deferred tax provision	<u>221</u>	<u>(30)</u>
	<u>134</u>	<u>296</u>
Adjustment in respect of previous years:		
Corporation Tax	<u>-</u>	<u>(96)</u>
	<u>134</u>	<u>200</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 10. DIVIDENDS

No dividend has been recommended for the year ended 31 December 2000.

	2000 £ 000's	1999 £ 000's
Dividends Paid	-	10,000

### 11. TANGIBLE FIXED ASSETS

	Land and Buildings £ 000's	Plant and Machinery £ 000's	Fixtures, Fittings and Equipment £ 000's	Motor Vehicles £ 000's	Assets in Course of Construction £ 000's	Total £ 000's
<b>COST</b>						
At 1 Jan 2000	6,011	1,438	688	4	538	8,679
Additions	-	2,232	4	-	-	2,236
Disposals	-	(439)	(40)	(4)	-	(483)
Transfers	(18)	236	(104)	-	(538)	(424)
<b>At 31 Dec 2000</b>	<b>5,993</b>	<b>3,467</b>	<b>548</b>	<b>-</b>	<b>-</b>	<b>10,008</b>
<b>DEPRECIATION</b>						
At 1 Jan 2000	682	745	404	3	-	1,834
Charge for the year	102	307	41	-	-	450
Disposals	-	(410)	(40)	(3)	-	(453)
Transfers	(1)	(120)	(134)	-	-	(255)
<b>At 31 Dec 2000</b>	<b>783</b>	<b>522</b>	<b>271</b>	<b>-</b>	<b>-</b>	<b>1,576</b>
<b>NET BOOK VALUE</b>						
<b>At 31 Dec 2000</b>	<b>5,210</b>	<b>2,945</b>	<b>277</b>	<b>-</b>	<b>-</b>	<b>8,432</b>
At 31 Dec 1999	5,329	693	284	1	538	6,845

i) All land and buildings are freehold.

ii) Freehold industrial land of £873,000 (1999 - £873,000) has not been depreciated.

#### Capital commitments

	2000 £ 000's	1999 £ 000's
Contracted but not provided for in the accounts	-	2,115

### 12. STOCKS

	2000 £ 000's	1999 £ 000's
Production parts and materials	223	201
Finished goods for resale	56	18
	<b>279</b>	<b>219</b>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 13. DEBTORS

	2000 £ 000's	1999 £ 000's
Trade debtors	24	98
Amounts owed by group undertakings	803	551
Amounts owed by JCB companies	1,663	3,665
Other taxation and social security	-	199
Corporation tax	281	-
Other debtors	6	52
Prepayments	30	8
	<u>2,807</u>	<u>4,573</u>

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

	2000 £ 000's	1999 £ 000's
Bank overdraft	223	929
Trade creditors	1,482	1,021
Amounts owed to group undertakings	736	464
Amounts owed to JCB companies	423	570
Amounts owed to other related parties	7	-
Corporation tax	-	127
Other taxation and social security	-	42
Accruals	62	85
	<u>2,933</u>	<u>3,238</u>

### 15. DEFERRED TAXATION

	2000 £ 000's	1999 £ 000's
The movement in the deferred taxation provision during the year was:		
Provision brought forward	90	120
Decrease/(Increase) in provision	221	(30)
Provision carried forward	<u>311</u>	<u>90</u>

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

	2000		1999	
	Provided £ 000's	Unprovided £ 000's	Provided £ 000's	Unprovided £ 000's
Excess of taxation allowances over depreciation on fixed assets	<u>311</u>	<u>173</u>	<u>90</u>	<u>226</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 16. OTHER PROVISIONS

	2000 £ 000's
<b>Other provisions - Warranty:</b>	
At 1 January 2000	397
Additional provisions made in the year	180
Amounts used	(363)
At 31 December 2000	<u>214</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.

### 17. 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 £45,000 (1999 - £179,000).

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 £39,000 (1999 - £133,000). The net amount owed by the company to Iracraft Limited at 31 December 2000 was £7,000 (1999 - £Nil).

The company has transferred tangible fixed assets with a net book value of £170,000 (1999 - £1,277,000) to JCB Compact Products Limited, a company in which Sir Anthony Bamford and his immediate family are shareholders, on which the company is owed £170,000 at 31 December 2000 (1999 - £1,277,000). The company has supplied cabs to JCB Compact Products Limited during the year, and the total value of these sales amounted to £4,537,000 (1999 - £2,431,000). The net amount owed to the company by JCB Compact Products Limited in respect of these sales at 31 December 2000 was £630,000 (1999 - £1,004,000). The company has also received from JCB Compact Products Limited a technical assistance fee for the year amounting to £435,000 (1999 - £366,000) which is owed to the company at 31 December 2000.

### 18. SHARE CAPITAL

#### Authorised share capital:

	2000 £	1999 £
332,294 Ordinary shares of £1.00 each	<u>332,294</u>	<u>332,294</u>

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

	2000 £	1999 £
Ordinary share capital	<u>332,294</u>	<u>332,294</u>

# JCB HYDRAPOWER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

### 19. PROFIT AND LOSS ACCOUNT

	2000 £ 000's	1999 £ 000's
At 1 January 2000	7,580	16,385
Retained profit/(Deficit) for the financial year	148	(8,805)
At 31 December 2000	<u>7,728</u>	<u>7,580</u>

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

	2000 £ 000's	1999 £ 000's
Profit for the financial year	148	1,195
Dividends	-	(10,000)
Net increase/(decrease) in shareholders' funds	<u>148</u>	<u>(8,805)</u>
Shareholders' funds at 1 January 2000	<u>7,912</u>	<u>16,717</u>
Shareholders' funds at 31 December 2000	<u>8,060</u>	<u>7,912</u>

Shareholders' funds are wholly attributable to equity interests.

### 21. 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.