

J.C.B. HYDRAPOWER LIMITED

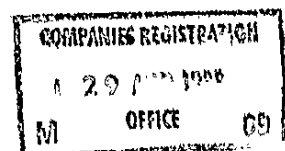
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REPORT AND ACCOUNTS

31ST DECEMBER 1986

C. HOWSON & CO.

Chartered Accountants



J.C.B. HYDRAPOWER LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1986

The Directors present their annual report together with the audited accounts for the year ended 31st December 1986.

BUSINESS REVIEW

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

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

RESULTS AND DIVIDEND

The profit for the year before taxation and after providing for all charges amounted to £73,768 (1985 Loss £48,104).

The Directors do not recommend the payment of a dividend. Accordingly, £73,768 has been transferred to reserves.

DIRECTORS

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

	<u>31/12/86</u>	<u>31/12/85</u>
Mr. A.P. Bamford	-	-
Mr. R.W. Ryeland	-	-
Mr. G. Johnston	-	-

Mr. G. Johnston, the director retiring by rotation, being eligible, offers himself for re-election.

FIXED ASSETS

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 re-appoint them will be put to the members at the Annual General Meeting.

Signed on behalf of the Board



CHAIRMAN

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, give a true and fair view of the state of affairs of the company at 31st December 1986 and of the results and source and application of funds for the year then ended and comply with the Companies Act 1985.

Date: 22ND APRIL 1988

C Howson TC

C. Howson & Co.,
Chartered Accountants

Park Chamber,
Avenue Road,
Stoke-on-Trent,
ST4 2EZ.

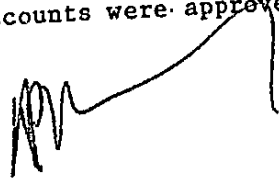
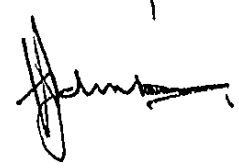
J.C.B. HYDRAPOWER LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>NOTES</u>	<u>1986</u>	<u>1985</u>
		<u>£</u>	<u>£</u>
TURNOVER	2	1,104,201	662,661
COST OF SALES		767,492	475,350
GROSS PROFIT		336,709	187,311
ADMINISTRATIVE EXPENSES		235,077	194,414
OPERATING PROFIT/(LOSS)	3	101,632	(7,103)
INTEREST PAYABLE	6	27,864	41,001
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		73,768	(48,104)
TAXATION	7	-	-
PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		73,768	(48,104)
DEFICIENCY BROUGHT FORWARD		(691,791)	(643,687)
DEFICIENCY CARRIED FORWARD		(618,023)	(691,791)

J.C.B. HYDRAPOWER LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1986

	<u>NOTES</u>	<u>1986</u>	<u>1985</u>
		<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible assets	8	84,151	289,152
CURRENT ASSETS			
Stocks	9	197,075	185,242
Debtors	10	136,686	-
Cash		-	600
		<u>333,761</u>	<u>185,842</u>
CREDITORS: amounts falling due within one year	11	<u>703,641</u>	<u>834,491</u>
NET CURRENT LIABILITIES		<u>(369,880)</u>	<u>(648,649)</u>
NET LIABILITIES		<u>(285,729)</u>	<u>(359,497)</u>
CAPITAL AND RESERVES			
Called up share capital	12	332,294	332,294
Profit and Loss Account - Deficit		<u>(618,023)</u>	<u>(691,791)</u>
		<u>(285,729)</u>	<u>(359,497)</u>

The accounts were approved by the Board of Directors on 22nd April 1988

J.C.E. HYDRAPOWER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 1986

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
SOURCE OF FUNDS		
Profit/(Loss) on ordinary activities before tax	73,768	(48,104)
Adjustment for items not involving the movement of funds		
Depreciation	29,911	34,740
TOTAL GENERATED/(ABSORBED) BY OPERATIONS	103,679	(13,364)
OTHER SOURCES OF FUNDS		
Purchases less disposals of Tangible fixed assets (including group transfers)	175,090	(52,778)
INCREASE/(DECREASE) IN WORKING CAPITAL	278,769	(66,142)
REPRESENTED BY:-		
Increase in Stocks	11,833	58,161
Increase/(Decrease) in Debtors	136,686	(256,135)
Decrease in Creditors	140,956	34,179
	289,475	(163,795)
MOVEMENT IN NET LIQUID FUNDS		
(Decrease)/Increase in Cash	(600)	600
(Increase)/Decrease in Bank Overdraft	(10,106)	97,053
	(10,706)	97,653
	278,769	(66,142)

J.C.B. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1986

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:-

Plant and Equipment 10% - 25%

Stock and Work in Progress

Stock 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 of turnover by geographical regions is as follows:-

	<u>1986</u>	<u>1985</u>
	£	£
United Kingdom	935,385	543,766
Middle East	891	3,733
Africa	66	20,493
Europe	119,345	57,617
Other	<u>48,514</u>	<u>37,052</u>
	<u>1,104,201</u>	<u>662,661</u>

J.C.B. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1986

3. OPERATING PROFIT

This is stated after charging the following items:

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration	1,250	2,500
Depreciation on tangible fixed assets	29,911	34,740

4. STAFF NUMBERS AND COSTS

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

	<u>1986</u>	<u>1985</u>
	<u>Number</u>	<u>Number</u>
Management and Sales	10	11
Production	2	1
	<u>—</u>	<u>—</u>
	12	12
	<u>—</u>	<u>—</u>

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

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Wages and Salaries	130,413	108,100
Social Security Costs	10,053	7,285
Other pension costs	9,251	9,654
	<u>—</u>	<u>—</u>
	149,717	125,039
	<u>—</u>	<u>—</u>

5. DIRECTORS REMUNERATION

Excluding pension contributions the emoluments of the chairman were £Nil (1985: £Nil) and the emoluments of the highest paid director were £Nil (1985: £Nil).

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

	<u>1986</u>	<u>1985</u>
£Nil to £5,000	1	1

J.C.E. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1986

6. INTEREST PAYABLE

	<u>1986</u>	<u>1985</u>
	£	£
Group interest	27,864	20,707
Bank overdraft	—	20,294
	<hr/>	<hr/>
	27,864	41,001
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7. TAXATION

Tax losses brought forward will be used to offset any liability to taxation. At 31 December 1986 the company had losses of some £311,000 to carry forward under S177(1) Income and Corporation Taxes Act 1970.

8. TANGIBLE FIXED ASSETS

	<u>Freehold Property</u>	<u>Plant and Machinery</u>	<u>Total</u>
	£	£	£
COST			
Balance 31 December 1985	222,820	169,705	392,525
Additions	—	37,498	37,498
Disposals	—	(13,091)	(13,091)
Group transfers	(222,820)	—	(222,820)
	<hr/>	<hr/>	<hr/>
Balance 31 December 1986	—	194,112	194,112
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
Balance 31 December 1985	12,172	91,201	103,373
Charge for the year	—	29,911	29,911
Disposals	—	(11,151)	(11,151)
Group transfers	(12,172)	—	(12,172)
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Balance 31 December 1986	—	109,961	109,961
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 1986	—	84,151	84,151
	<hr/>	<hr/>	<hr/>
At 31 December 1985	210,648	78,504	289,152
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9. STOCKS

	<u>1986</u>	<u>1985</u>
	£	£
Production materials and parts	197,075	185,242
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J.C.B. HYDRAPOWER LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1986

10. DEBTORS

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Amount due from Holding Company	434	-
Amount due from Group Companies	134,268	-
Other Debtors	400	-
Prepayments	1,584	-
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	136,686	-
	<hr/>	<hr/>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Bank Overdraft	628,127	618,021
Amount due to Holding Company	-	18,130
Trade creditors	26,323	47,575
Amounts due to Group Companies	-	87,125
Other creditors (including social security)	45,191	7,946
Accruals	4,000	55,694
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	703,641	834,491
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12. SHARE CAPITAL

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Authorised, issued and fully paid:		
Ordinary shares of £1 each	332,294	332,294
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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.