

J.C.B. Service

Directors' Report and Consolidated Financial Statements
for the year ended 31 December 2019

Registered number 00564955



J.C.B. Service

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J.C.B. Service

Directors and advisors

Directors

The Lord Bamford DL
Lady Bamford OBE (Appointed 12 July 2019)
G H A Bamford
J C E Bamford (Appointed 12 July 2019)
A C Bamford (Appointed 12 July 2019)
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

Company secretary

S E R Ovens

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Solicitors

Slaughter & May
1 Bunhill Row
London
EC1Y 8YY

Bankers

Barclays Bank plc
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

HSBC Bank plc
4th Floor
120 Edmund Street
Birmingham
B3 2QZ

National Westminster Bank plc
250 Bishopsgate
London
EC2M 4AA

Lloyds Bank plc
Ground Floor
10 Gresham Street
London
EC2V 7AE

Citibank NA
Canada Square
Canary Wharf
London
E14 5LB

ABC International Bank plc
1-5 Moorgate
London
EC2R 6AB

BNP Paribas Bank
10 Harewood Avenue
London
NW1 6AA

Registered office

Lakeside Works
Rocester
Uttoxeter
Staffs
ST14 5JP

Registered number

00564955

J.C.B. Service

Strategic report for the year ended 31 December 2019 (continued)

The directors present their strategic report on the group for the year ended 31 December 2019.

Principal activities

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

Review of the business and future developments

In 2019 the global construction equipment market grew by 1% compared to 2018 (Source: ISTAT). This growth was impacted by local, regional and global political landscapes, creating a mixture of market expansions and contractions as follows: Russia & CIS +17%, Latin America +10%, Europe +8%, China +6%, North America +4%, Japan & Korea were flat, Middle East & Turkey -27%, Africa -18%, Asia Pacific -18%, India -16%, and the UK & Ireland -10%. For 2020, the geopolitical landscape is expected to once again feature heavily in the markets, with a global contraction now more likely.

Group turnover of £4,158.7 million (2018: £4,118.8 million) was broadly in line with the prior year, whilst the number of units sold decreased by 2.5%. JCB Power Products Limited was acquired in February 2019 and contributed turnover of £47.2m in the year (see note 12). Operating profit for the year was £290.3 million (2018: £316.1 million). The Group continues to invest in research and development; more than 35 new products were launched in 2019 putting JCB in a strong position in the construction equipment market.

The group has a strong balance sheet and net cash is £418.8 million (2018: £504.8 million). The group generated operational cash of £174.7 million (2018: £227.4 million), invested £90.2 million (2018: £88.2 million) in capital assets and paid a dividend of £95.0 million (2018: £75.0 million).

Going concern

Results in 2020 have been significantly impacted by the Covid-19 pandemic, which has brought about a period of economic uncertainty in the Group's markets. The Group has a strong liquidity position, including significant cash balances, and having taken account of reasonably possible changes in trading conditions, the Directors believe it is well positioned to weather this period of uncertainty. At 31 December 2019, the group had cash balances of £615.6m and subsequent to the year-end drew down its revolving credit facility in full and issued £600m of commercial paper under the government Covid Corporate Financing Facility scheme giving the group significant liquidity. At the same time, the group is taking precautionary steps such as reducing non-essential overheads. On 18 March 2020, the group took the decision to close a significant number of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The Group reopened the majority of its factories in May 2020. It is not practicable to precisely quantify the potential financial impact the pandemic could have on the group, given the continued uncertainty.

The uncertainty as to the future impact of the Covid-19 outbreak has been considered as part of the group's adoption of the going concern basis. The Directors have reviewed financial forecasts for the 12 months from the approval date of these financial statements, taking account of reasonably possible changes in trading conditions. After making enquiries and testing the assumptions, including consideration of a severe but plausible downside scenario which models a significant reduction in sales volumes, together with considering sales performance during the post year end period and the current order book, the Directors have satisfied themselves that the group will be able to operate well within the level of its facilities and in continuing compliance with its financial covenants. In addition, the Group has identified a number of mitigating actions that are within management's control and can be actioned on a timely basis to be effective should trading deteriorate and are therefore satisfied there is no material uncertainty. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risk facing J.C.B. Service is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, J.C.B. Service addresses a spectrum of regional markets and product sectors, and operates an organisation and capital structure which is flexible and fast reacting to market conditions. Over its history, J.C.B. Service has grown in the good years and weathered the downturns, increasing the size of the business as each cycle progresses.

J.C.B. Service

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Other key risks monitored by the executive management team are the competitive environment, protection of intellectual property, availability of key raw materials, changing regulations and macroeconomic factors such as cyber security, terrorism, natural disaster and infectious disease. Executive management monitors these on a regular basis and has plans in place to mitigate these risks.

The group continues to monitor the situation relating to Covid-19 and its impact on both the business and the industry as a whole. On 18 March 2020, the group took the decision to close the majority of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The group expects to reopen the majority of its factories in May 2020.

The group continues to make preparations in respect of the change in the regulatory landscape brought about by the UK's exit from the European Union on 31 January 2020. The group has substantial experience in buying components from and selling finished goods to countries outside the EU, on different terms to the Single Market and therefore does not foresee any particular difficulty.

Financial risk management

The group's operations expose it to a variety of risks that include credit risk, liquidity risk, exchange rate risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group.

Credit risk

J.C.B. Service's principal financial assets are cash held on deposit with financial institutions and trade and other debtors. The credit risk is primarily attributable to its trade debtors with potential recoverability issues mitigated by credit insurance. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. J.C.B. Service has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, J.C.B. Service uses a mixture of short term facilities, invoice discounting, and senior loan notes. Adequate facilities are available to support the group's business for at least 12 months from the date of this report.

Exchange rate risk

As part of their normal operating activities, certain companies in the group hedge exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof are invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts. The aggregate fair value of forward currency contracts outstanding at 31 December 2019 was a net asset of £4.8 million (2018: liability of £15.7 million).

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group manages the risk through a combination of fixed and floating rate facilities. Long-term borrowings include senior loan notes of £195.2 million (2018: £195.2 million), which attract a fixed interest rate, whilst interest payable on the bank loans and overdrafts is linked to LIBOR.

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Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators (KPIs)

J.C.B. Service uses a range of financial and non-financial indicators to monitor performance.

Financial measures are turnover, operating profit and cash generated from operations:

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Turnover | 4,158.7 | 4,118.8 |
| Operating profit | 290.3 | 316.1 |
| Net cash generated from operating activities | 174.7 | 227.4 |

Non-financial indicators include operational statistics, health and safety measures and environmental factors.

Section 172(1) statement

The directors satisfy their duty to promote the long-term success of the company whilst having regard to the matters and stakeholders described in Section 172, points (a) to (f) of the Companies Act 2006 through the adherence to its Corporate Governance framework, as outlined in the directors report. The ultimate long-term success of the group is dependent upon the efforts of its stakeholders, including employees, suppliers and customers, and the directors take into consideration the interests of these stakeholders when making decisions.

Employees

The directors consider the interests of employees when making decisions through regular consultation where both important information is provided and feedback is obtained. The directors have a strong and collaborative working relationship with employees, for example, the directors engaged closely with the workforce when they assessed how the group should react to the Covid-19 outbreak.

Suppliers and customers

The group develops innovative new products that are designed to meet global customer's needs. This requires a close relationship with customers who provide valuable feedback, which the directors use when making decisions regarding the direction of product development. New product development requires new components and regular discussions with suppliers help drive the direction of sourcing decisions made by the directors. Regular meetings and conferences with customers and suppliers facilitate this process.

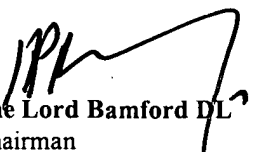
Community and the Environment

The group's strategy for environmental sustainability covers six core work streams - alternative fuels and product efficiency; waste reduction; use of recycled materials; carbon reduction in the logistics and manufacturing operations; removal of single use plastics; and culture and behaviour change. Achieving these core work streams drives the decision making of the directors who are committed to delivering a reduction in carbon emissions from the business.

Business conduct

The group maintains a strict code of conduct to promote and maintain high standards of business conduct and to ensure it acts fairly towards its various stakeholders. The group's supplier code of conduct, health and wellbeing policy and other documents are published on the group's website.

On behalf of the board


The Lord Bamford DL
Chairman

18 JUNE 2020

J.C.B. Service

Directors' report for the year ended 31 December 2019

The directors present their report and the audited consolidated and company financial statements for the year ended 31 December 2019.

Future developments

Details of anticipated future developments in the group's business have been provided in the strategic report on page 2.

Dividends

The directors approved and paid a dividend of £95.0 million during the year (2018: £75.0 million).

Research and development

The group continues to invest in product research and development with expenditure during the year of £104.4 million (2018: £93.4 million).

Political donations

The group made political donations to The Conservative Party of £2.8 million during the year (2018: £1.0 million).

Statutory records

The company is a privately held unlimited company which is incorporated in the UK and its company registration number is 00564955.

Directors

The directors who held office during the year and up to the date of approving the financial statements, unless stated, are given below:

The Lord Bamford DL
Lady Bamford OBE (Appointed 12 July 2019)
G H A Bamford
J C E Bamford (Appointed 12 July 2019)
A C Bamford (Appointed 12 July 2019)
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

Directors' indemnity insurance

The company purchases qualifying third party indemnity insurance cover for directors and officers of the company which gives appropriate cover for any legal action brought against them in their capacity as directors or officers. The company also provides indemnity for its directors (to the extent permitted by law) in respect of liabilities which could occur as a result of their office. This indemnity does not provide cover should a director be proved to have acted fraudulently or dishonestly. This indemnity was in place throughout the financial year and at the date of approval.

Corporate Governance

The directors are collectively responsible for ensuring that they operate in a manner which best promotes the interests of the group with consideration to its wider group of stakeholders. Underpinning this responsibility is an appropriate Corporate Governance framework, specifically designed to meet the needs of JCB and is broadly in line with the Wates Principles. The framework ensures the values, strategy and culture of the group are communicated and followed.

Purpose and leadership

The group's mission is to grow by providing innovative, strong and high-performance products and solutions to meet the needs of global customers, supported by superior customer care. This care extends to the environment and the community. The group wants to help build a better future where hard work and dedication are given their just reward. These fundamental principles drive the governance of the group.

Board composition

The directors possess the required skills and experience to run the business. Executive directors that are appointed have demonstrated substantial experience working within the group. The directors comprise the Chairman, Chief Executive Officer,

J.C.B. Service

Directors' report for the year ended 31 December 2019

executive directors and a non-executive director. The diversity of the board supports the group's values on gender equality. The directors meet on a regular basis, however additional meetings can be called as necessary to perform its functions.

Director responsibilities

The directors are responsible for the group's strategy, including the likely consequences of any decisions in the long term and the general conduct of the group's affairs. The directors review and oversee the group's policy in relation to employee remuneration (delegated to a remuneration committee); succession planning; risk management and internal control; safety and environmental matters; and regulatory compliance. A wider team of senior management is responsible for the operational management of the group with support and guidance from the directors. Clear written guidelines have been set outlining matters solely reserved for approval by the directors.

Opportunity and risk

The directors regularly review the strategies, opportunities and risks faced by the group. A group risk and control committee meets on a monthly basis to identify and monitor risks and these are communicated to senior management. The principal risks facing the group are set out in detail in the strategic report.

Remuneration

The directors ensure that remuneration for all employees is appropriate and fair. The directors have appointed a remuneration committee comprising certain directors and advisors that is responsible for senior directors pay and benefits. Remuneration is linked to the achievement of the group as well as personal performance. The directors are mindful of the gender pay gap and report on this annually on the group's website.

Stakeholder relationships and engagement

The directors acknowledge the need to encourage employee involvement in the improvement of the group's performance by supporting individual training and performance plans. Important information is supplied and feedback is obtained through regular consultation with employees. Regarding the local community, the group has a long-standing tradition of providing support through various means including sponsoring local schools, recreational facilities and other good causes. In addition, the group regularly meets with local government representatives to discuss and understand the likely consequences of any decisions. The group's statement on stakeholder engagement is set out below.

Employee engagement

The directors consider the interests of employees when making decisions through regular consultation where both important information is provided and feedback is obtained. The directors have a strong and collaborative working relationship with employees, for example, the directors engaged closely with the employees when they assessed how the group should react to the Covid-19 outbreak.

The group discharges, equitably, its statutory and social duties in respect of the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995 and the Employment Equality Regulations on sexual orientation, religion, belief or age. An equal opportunities policy is in operation. For those employees becoming disabled during the course of their employment, every effort is made, whether through training or redeployment, to provide an opportunity for them to remain with the group.

Stakeholder engagement

The group maintains a close relationship with customers who provide valuable feedback, critical for developing innovative new products that are designed to meet global customer's needs. Regular discussions with suppliers help drive the direction of sourcing decisions made by the directors. Regular meetings and conferences with customers and suppliers facilitate this process. Regarding the environment, the group's strategy for environmental sustainability covers six core work streams - alternative fuels and product efficiency; waste reduction; use of recycled materials; carbon reduction in the logistics and manufacturing operations; removal of single use plastics; and culture and behaviour change. Achieving these core work streams drives the decision making of the directors who are committed to delivering a reduction in carbon emissions from the business.

Matters disclosed elsewhere within the financial statements

Required disclosures in relation to the group's key performance indicators, business review, future prospects, principal risks and uncertainties, and financial risk management have been included within the group's Strategic Report on pages 2 and 3 of these financial statements.

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Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of financial statements before the group in general meetings and the appointment of auditors annually. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board



The Lord Bamford DL
Chairman

18 JUNE 2020

J.C.B. Service

Independent Auditors' report to the members of J.C.B. Service

Report on the audit of the financial statements

Opinion

In our opinion, J.C.B. Service's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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Independent Auditors' report to the members of J.C.B. Service

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester 19 June 2020

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Consolidated profit and loss account for the year ended 31 December 2019

| | Note | 2019 £m | 2018 £m |
|--|------|--------------|--------------|
| Turnover | 5 | 4,158.7 | 4,118.8 |
| Cost of sales | | (3,324.7) | (3,259.3) |
| Gross profit | | 834.0 | 859.5 |
| Distribution costs | | (199.0) | (185.5) |
| Administrative expenses | | (344.7) | (357.9) |
| Operating profit | 6 | 290.3 | 316.1 |
| Share of associate's profit before tax | | 5.5 | 6.1 |
| Interest receivable and similar income | | 8.6 | 13.4 |
| Interest payable and similar expenses | 9 | (28.1) | (25.2) |
| Profit before taxation | | 276.3 | 310.4 |
| Tax on profit | 10 | (79.6) | (125.4) |
| Profit for the financial year | | 196.7 | 185.0 |

The company has taken advantage of Section 408 (1) of the Companies Act 2006 not to publish its own profit and loss account. The company's profit for the financial year was £22.2 million (2018: £nil).

All activities are derived from continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December 2019

| | Note | 2019 £m | 2018 £m |
|--|------|---------------|--------------|
| Profit for the financial year | | 196.7 | 185.0 |
| Foreign exchange adjustments | | (27.8) | (19.9) |
| Change in value of hedging instruments | | | |
| Gains/(loss) arising during the year | | 31.9 | (35.9) |
| Re-classified to profit of loss | | (11.4) | 11.0 |
| Movement on deferred tax relating to hedging instruments | | (3.5) | 4.2 |
| Re-measurement of pension liability | 21 | (53.0) | 43.7 |
| Movement on deferred tax relating to pension liability | | 9.1 | (7.3) |
| Other comprehensive expense | | (54.7) | (4.2) |
| Total comprehensive income for the year | | 142.0 | 180.8 |

J.C.B. Service

Consolidated balance sheet as at 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|------|------------|------------|
| Fixed assets | | | |
| Intangible assets | 12 | 170.6 | 127.4 |
| Tangible assets | 13 | 576.3 | 525.1 |
| Investments | 14 | 3.7 | 4.4 |
| | | 750.6 | 656.9 |
| Current assets | | | |
| Stock | 15 | 530.3 | 598.3 |
| Debtors | 16 | 663.0 | 727.6 |
| Investments | 17 | 12.7 | 11.3 |
| Cash at bank and in hand | | 615.6 | 700.2 |
| | | 1,821.6 | 2,037.4 |
| Creditors – amounts falling due within one year | 18 | (745.6) | (949.3) |
| Net current assets | | 1,076.0 | 1,088.1 |
| Total assets less current liabilities | | 1,826.6 | 1,745.0 |
| Creditors: amounts falling due after more than one year | 19 | (212.7) | (217.0) |
| Provisions for liabilities | 20 | (104.7) | (108.1) |
| Pension scheme deficit | 21 | (306.3) | (264.0) |
| Net assets | | 1,202.9 | 1,155.9 |
| Capital and reserves | | | |
| Called up share capital | 23 | - | - |
| Share premium account | 24 | 31.7 | 31.7 |
| Other reserves | 24 | 43.1 | 26.1 |
| Profit and loss account | 24 | 1,128.1 | 1,098.1 |
| Total equity | | 1,202.9 | 1,155.9 |

The financial statements on pages 10 to 44 were approved by the board of directors on 18 JUNE 2020 and were signed on its behalf by:



The Lord Bamford DL
Chairman

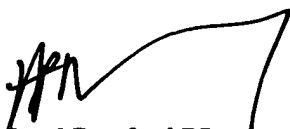
Company registration number: 00564955

J.C.B. Service

Company balance sheet as at 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 13 | 20.2 | 20.9 |
| Investments | 14 | 477.9 | 428.6 |
| | | 498.1 | 449.5 |
| Current assets | | | |
| Stock | 15 | 80.6 | 82.3 |
| Debtors | 16 | 358.6 | 387.2 |
| Cash at bank and in hand | | 16.3 | 113.4 |
| | | 455.5 | 582.9 |
| Creditors – amounts falling due within one year | 18 | (189.7) | (202.9) |
| Net current assets | | 265.8 | 380.0 |
| Total assets less current liabilities | | 763.9 | 829.5 |
| Creditors: amounts falling due after more than one year | 19 | (211.5) | (213.9) |
| Provisions for liabilities | 20 | (15.3) | (13.7) |
| Net assets | | 537.1 | 601.9 |
| Capital and reserves | | | |
| Called up share capital | 23 | - | - |
| Share premium account | 24 | 31.7 | 31.7 |
| Other reserves | 24 | 0.9 | (7.1) |
| Profit and loss account brought forward | | 577.3 | 652.3 |
| Profit for the year | | 22.2 | - |
| Dividends paid | | (95.0) | (75.0) |
| Profit and loss account | 24 | 504.5 | 577.3 |
| Total equity | | 537.1 | 601.9 |

The financial statements on pages 10 to 44 were approved by the board of directors on 18 JUNE 2020 and were signed on its behalf by:


The Lord Bamford DL
Chairman

Company registration number: 00564955

J.C.B. Service

Consolidated statement of cash flows for the year ended 31 December 2019

| | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|------|------------|----------------|------------|----------------|
| Net cash inflow from operating activities | 25 | | 263.7 | | 330.7 |
| Taxation paid | | | (89.0) | | (103.3) |
| Net cash generated from operating activities | | | 174.7 | | 227.4 |
| Cash flow from investing activities | | | | | |
| Purchase of tangible assets | | (90.2) | | (88.2) | |
| Proceeds from sale of tangible assets | | 2.8 | | 2.4 | |
| Interest received | | 8.6 | | 13.4 | |
| Dividends received from associate | | 5.0 | | 5.0 | |
| Acquisition of subsidiaries (net of cash acquired) | | (51.8) | | 0.3 | |
| Net cash used in investing activities | | | (125.6) | | (67.1) |
| Cash flow from financing activities | | | | | |
| Repayment of loan payable | | - | | (95.0) | |
| Dividends paid to shareholders | | (95.0) | | (75.0) | |
| Interest paid | | (28.1) | | (25.2) | |
| Net cash used in financing activities | | | (123.1) | | (195.2) |
| Net decrease in cash and cash equivalents | | | (74.0) | | (34.9) |
| Cash and cash equivalents at the beginning of the year | | | 700.0 | | 734.2 |
| Foreign exchange translation adjustment | | | (12.0) | | 0.7 |
| Cash and cash equivalents at the end of the year | | | 614.0 | | 700.0 |

Cash and cash equivalents consists of:

| | | | |
|----------------------------------|----|--------------|--------------|
| Cash at bank and in hand | | 615.6 | 700.2 |
| Overdrafts | 18 | (1.6) | (0.2) |
| Cash and cash equivalents | | 614.0 | 700.0 |
| Net debt due after one year | 19 | (195.2) | (195.2) |
| Net cash | | 418.8 | 504.8 |

J.C.B. Service

Consolidated statement of changes in equity for the year ended 31 December 2019

| | Called-up share capital £m | Share premium £m | Other reserves £m | Profit and loss account £m | Total equity £m |
|--|----------------------------------|------------------------|-------------------------|----------------------------------|-----------------------|
| Balance as at 1 January 2018 | - | 31.7 | 46.8 | 971.6 | 1,050.1 |
| Profit for the financial year | - | - | - | 185.0 | 185.0 |
| Other comprehensive (expense)/income for the year | - | - | (20.7) | 16.5 | (4.2) |
| Total comprehensive (expense)/income for the year | - | - | (20.7) | 201.5 | 180.8 |
| Dividends paid | - | - | - | (75.0) | (75.0) |
| Balance as at 31 December 2018 | - | 31.7 | 26.1 | 1,098.1 | 1,155.9 |
| Profit for the financial year | - | - | - | 196.7 | 196.7 |
| Other comprehensive income/(expense) for the year | - | - | 17.0 | (71.7) | (54.7) |
| Total comprehensive income for the year | - | - | 17.0 | 125.0 | 142.0 |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| Balance as at 31 December 2019 | - | 31.7 | 43.1 | 1,128.1 | 1,202.9 |

Company statement of changes in equity for the year ended 31 December 2019

| | Called-up share capital £m | Share premium £m | Other reserves £m | Profit and loss account £m | Total equity £m |
|---|----------------------------------|------------------------|-------------------------|----------------------------------|-----------------------|
| Balance as at 1 January 2018 | - | 31.7 | 1.4 | 652.3 | 685.4 |
| Profit for the financial year | - | - | - | - | - |
| Other comprehensive expense for the year | - | - | (8.5) | - | (8.5) |
| Total comprehensive expense for the year | - | - | (8.5) | - | (8.5) |
| Dividends paid | - | - | - | (75.0) | (75.0) |
| Balance as at 31 December 2018 | - | 31.7 | (7.1) | 577.3 | 601.9 |
| Profit for the financial year | - | - | - | 22.2 | 22.2 |
| Other comprehensive income for the year | - | - | 8.0 | - | 8.0 |
| Total comprehensive income for the year | - | - | 8.0 | 22.2 | 30.2 |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| Balance as at 31 December 2019 | - | 31.7 | 0.9 | 504.5 | 537.1 |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019

1. General information

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling and agricultural machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

The company is incorporated and domiciled in England, UK. The address of its registered office is Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP.

2. Statement of compliance

The consolidated financial statements of J.C.B. Service have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The company satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of J.C.B. Service which are included within this Annual Report. The company has taken advantage of the disclosure exemptions set out in paragraph 1.12 of FRS 102 specifically in relation to the company not preparing its own cash flow statement and the disclosure of transactions between companies within the same group.

In addition, the company has taken the exemption available in paragraph 408 (1) of the Companies Act 2006 to not disclose its own profit and loss account. The profit recorded by the company in the year ended 31 December 2019 totalled £22.2 million (2018: £nil).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principal accounting policies

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 as modified for certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(a) Going concern

Results in 2020 have been significantly impacted by the Covid-19 pandemic, which has brought about a period of economic uncertainty in the Group's markets. The Group has a strong liquidity position, including significant cash balances, and having taken account of reasonably possible changes in trading conditions, the Directors believe it is well positioned to weather this period of uncertainty. At 31 December 2019, the group had cash balances of £615.6m and subsequent to the year-end drew down its revolving credit facility in full and issued £600m of commercial paper under the government Covid Corporate Financing Facility scheme giving the group significant liquidity. At the same time, the group is taking precautionary steps such as reducing non-essential overheads. On 18 March 2020, the group took the decision to close a significant number of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The Group reopened the majority of its factories in May 2020. It is not practicable to precisely quantify the potential financial impact the pandemic could have on the group, given the continued uncertainty.

The uncertainty as to the future impact of the Covid-19 outbreak has been considered as part of the group's adoption of the going concern basis. The Directors have reviewed financial forecasts for the 12 months from the approval date of these financial statements, taking account of reasonably possible changes in trading conditions.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019

(a) Going concern (continued)

After making enquiries and testing the assumptions, including consideration of a severe but plausible downside scenario which models a significant reduction in sales volumes, together with considering sales performance during the post year end period and the current order book, the Directors have satisfied themselves that the group will be able to operate well within the level of its facilities and in continuing compliance with its financial covenants. In addition, the Group has identified a number of mitigating actions that are within management's control and can be actioned on a timely basis to be effective should trading deteriorate and are therefore satisfied there is no material uncertainty. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

(b) Basis of consolidation and accounting for other investments

Subsidiaries

The consolidated financial statements incorporate the financial statements of J.C.B. Service and entities controlled by J.C.B. Service (its subsidiaries) made up to the reporting date each year. Control is achieved where J.C.B. Service has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any negative goodwill that arises where the fair value of the group's interest in the identifiable assets and liabilities acquired of a subsidiary undertaking exceeds the fair value of the consideration given is recognised in the balance sheet and is credited to the profit and loss account in the period in which the non-monetary assets are recovered.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All intra-group balances and transactions are eliminated on consolidation and all unrealised gains on transactions between group companies are eliminated on consolidation.

Associates

Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

The group's share in associates' post-acquisition profits or losses is recognised in the profit and loss account.

Unrealised gains on transactions between group companies and transactions between the group and its associates are eliminated to the extent of the group's interest in each associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Foreign currency

The group's presentational currency is the pound sterling. Therefore these consolidated financial statements are presented in pounds sterling and have been rounded to the nearest hundred thousand pounds.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments, net assets of overseas subsidiaries including long term funding balances with those subsidiaries and from the translation of the profits or losses at average rates are recognised in other comprehensive income.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(d) Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for machines and parts supplied or services rendered to customers outside of the group, excluding VAT and sales taxes and net of sales incentives.

The group recognises turnover from sales of products when significant risk and rewards have been transferred to external parties, normally on an ex-works basis for machines and on despatch for parts. Turnover from the provision of services is recognised in the accounting period in which the services are rendered and when the outcome of contracts can be estimated reliably. Turnover from warranty contracts is spread over the life of the contract.

Interest income is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

(e) Employee benefits

The group operates several defined benefit pension schemes for the benefit of its employees both in the UK and in certain overseas locations, the assets of which are held separately from those of the group in independently administered funds.

The fair value of pension scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability as determined by an independent actuary. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The interest income and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest and are calculated based on the discount rate. Curtailment gains are recognised in the profit and loss account. Remeasurement gains and losses are recognised in other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The group also operates a number of defined contribution pension schemes. The assets of these schemes are held in separately administered funds from the group. The pension charge represents contributions payable by the group to the funds.

(f) Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be sufficient taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

The deferred tax assets and liabilities are not discounted.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(g) Intangible assets - Goodwill

Goodwill on consolidation, representing the excess of the cost of shares in subsidiaries over their net assets at the date of acquisition, is amortised to the profit and loss account on a straight line basis over its estimated useful economic life which is no more than 20 years.

Annually, the group assesses whether there are any indicators that the carrying amount of goodwill and other tangible assets may be impaired. Where indicators of impairment are identified, the group performs an impairment test to determine the recoverable amount of goodwill and other tangible assets. In assessing recoverable amount the group looks at the higher of the asset's value in use and its fair value less cost to sell. Where the recoverable amount is less than the asset's carrying amount, an impairment is recognised which is charged to the profit and loss account. For tangible assets where the factors that gave rise to the impairment have reversed, and the recoverable amount is determined to exceed the carrying amount, the impairment is reversed, such as to bring the asset back to the value it would have been carried at prior to the impairment charge being recognised, to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior periods.

(h) Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the original cost by equal annual instalments over the expected useful economic lives of the assets concerned, other than freehold land and assets in the course of construction which are not depreciated.

The principal rates used are:

| | |
|----------------------------------|--------------------------------------|
| Freehold buildings | 1 - 5% |
| Leasehold land and buildings | Shorter of lease period and 50 years |
| Plant and machinery | 10 - 33.33% |
| Fixtures, fittings and equipment | 4 - 33.33% |
| Motor vehicles | 20 - 25% |

Additional depreciation is provided where, in the opinion of the directors, there has been a permanent diminution in the value of the fixed asset.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

(i) Stocks and work in progress

Stocks are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Stock is recognised as an expense in the period in which the related revenue is recognised. Cost is determined on the first-in, first-out (FIFO) method and includes direct materials, labour and appropriate works overhead.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

(j) Warranty provision

Provision is made for the group's estimated liability on all machines still under warranty, including claims already received. The provision is charged against trading profits and is included in provisions for liabilities, with amounts recoverable from suppliers included within other debtors. Deferred income in relation to extended warranty contracts is included within creditors and released to revenue over the life of the policy. Warranty associated costs are taken to cost of sales.

Where the costs associated with extended warranty contracts are forecast to exceed the income derived from those contracts the contracts are deemed to be onerous. Where warranty contracts are determined to be onerous, provision is made in full for all future costs expected to be incurred in excess of the income to be derived from those contracts.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(k) Research and development

Expenditure on research and development is incurred continuously and is expensed as incurred.

(l) Repairs and renewals

All repairs and renewals are expensed as incurred.

(m) Debtors

Trade debtors are recorded net of amounts discounted without recourse, less any provision for bad or doubtful debts. Initial recognition is at transaction price, subsequently measured at amortised cost.

(n) Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions and the grants will be received. FRS 102 allows for government grants to be accounted for under either the performance or accruals model. The group applies either the performance or accruals model to different classes of government grants with each class of grant being accounted for under a consistent model. In determining whether grants represent different classes the issuing body, country of issue, performance conditions and specific terms are considered to determine whether grants should be treated as separate classes of grant.

Grants accounted for using the performance model recognise the entire amount of the grant when performance conditions are met. Where performance conditions are not met in full at the year end, the grant is taken to deferred income and released to the profit and loss account when the remaining performance conditions are met.

Grants accounted for using the accruals model recognise the amount of the grant over the period the associated costs are incurred. Where grants relate to capital expenditure items, grant income will be recognised over the same useful life over which the capital items are being depreciated. Where grant income relates to employee or other costs the grant income will be recognised in line with the proportion of costs incurred in any one financial period. Where amounts are received in excess of that which can be recognised in a financial period the excess amount is taken to deferred income and is released in subsequent periods. Grants that become receivable under the accruals model in respect of capital expenditure already depreciated or employee or other costs already incurred shall be recognised as income in the period they become receivable.

(o) Investments

Investments are included in the balance sheet at their cost on acquisition. Where appropriate, provision is made for any impairment in their value.

(p) Finance costs

Finance costs incurred in securing the group's financing arrangements are capitalised and amortised over the term of the associated debt. Interest and other finance costs are charged to the profit and loss account as incurred.

(q) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(r) Dividends

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are declared and approved. These amounts are recognised in the statement of changes in equity.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(s) Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank and other loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Derivatives

The Group enters into certain foreign exchange forward contracts to manage its cash flow exposure over certain transactions undertaken in currencies other than the functional currency. These foreign exchange forward contracts are put in place to manage the risk of highly probable future forecast transactions.

The Group applies hedge accounting to certain transactions entered to manage the foreign exchange risk. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(iii) Derivatives (continued)

value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

(iv) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company and group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives and recoverability of tangible and intangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets, and note 3(g) for the useful economic lives for each class of assets.

The useful economic lives of intangible assets are determined by the directors upon inception and are re-assessed annually. They are amended to reflect any degradation of the asset that becomes apparent. See note 12 for the carrying amount of intangible assets.

There are a number of assumptions made when performing annual impairment reviews over the group's tangible and intangible assets. Where an indicator of impairment exists, determining whether such assets are impaired requires an estimation of the value in use of the assets, based upon expected future cash flows and a suitable discount rate.

(b) Stock provisioning

The group considers the recoverability of the cost of stock and makes an estimate of the associated provision required. When calculating the stock provision, management considers the nature and condition of its stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the stock and associated provision.

(c) Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Critical accounting judgements and estimation uncertainty (continued)

(d) Defined benefit pension scheme

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management employs actuaries to estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

(e) Warranty provision

The group considers the future cost of warranty claims and makes an estimate of the provision arising. When calculating the provision required, management considers its obligation to make good eligible issues within the relevant warranty period for those product lines having warranty conditions attached, and takes into account historical data, known performance issues and supplier recoveries. See note 20 for the warranty movement and year end provision.

(f) Sales incentive provision

Under certain conditions the group offers sales incentives in order to maintain its competitiveness in its respective markets. The provision is calculated by considering economic indicators across geographic regions and market segments. Provisions are made with reference to agreed terms with customers or based on historical experience where formal agreements are not in place.

(g) Taxation

Transactions may occur during the normal course of business where the final tax determination is uncertain. Where such transactions occur, the group recognises liabilities for these transactions based on the likelihood that an additional liability will arise and an estimate of any additional tax that may become payable. In estimating the value of any uncertain tax positions, the group exercises judgement based on past experience and previous legal interpretations. Any differences between the estimated and actual tax liabilities are recognised in the financial statements in the year in which the uncertain position becomes known.

In the case of deferred tax arising on the unremitted earnings of the Group's overseas subsidiaries, provision is made for the amount that is expected to be settled, based on management's judgement as to the probable amount of repatriation to the UK in the foreseeable future.

5. Turnover

An analysis of turnover by geographical market is given below:

| | 2019 £m | 2018 £m |
|----------------------------|------------|------------|
| United Kingdom | 667.8 | 699.1 |
| Europe | 1,187.2 | 1,131.8 |
| The Americas | 876.8 | 765.6 |
| India | 1,045.4 | 1,125.4 |
| Middle East | 170.7 | 168.0 |
| Australia and the Far East | 124.7 | 134.2 |
| Africa | 86.1 | 94.7 |
| | 4,158.7 | 4,118.8 |

The J.C.B. Service group companies are engaged in a single class of business: the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. Operating profit

Operating profit is stated after (crediting)/charging

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Government grants | (7.7) | - |
| Research and development expenditure | 104.4 | 93.4 |
| Hire of machinery and equipment | 9.4 | 8.9 |
| Foreign currency loss | 44.4 | 25.3 |
| Profit on sale of fixed assets | 0.2 | (0.6) |
| Depreciation of tangible fixed assets (note 13) | 42.7 | 39.8 |
| Amortisation of goodwill (note 12) | 16.8 | 14.3 |

Services provided by the company's auditors:

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates:

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements | 0.3 | 0.3 |
| Fees payable to the company's auditors and its associates for other services: | | |
| The audit of the company's subsidiaries | 1.3 | 1.0 |
| Audit-related assurance services | - | - |
| Tax related services | 1.8 | 2.9 |
| Other | 0.2 | 0.4 |
| | 3.6 | 4.6 |

7. Particulars of employees

The average monthly number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2019 Number | 2018 Number | 2019 Number | 2018 Number |
| Directors | 9 | 6 | 9 | 6 |
| Administration and service | 4,182 | 3,921 | 176 | 178 |
| Production | 6,861 | 6,703 | 262 | 204 |
| | 11,052 | 10,630 | 447 | 388 |

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2019 £m | 2018 £m | 2019 £m | 2018 £m |
| Wages and salaries | 447.3 | 400.2 | 25.5 | 25.7 |
| Social security costs | 39.3 | 39.3 | 2.0 | 2.2 |
| Defined benefit pension cost | 19.1 | 21.1 | - | - |
| Defined contribution pension cost | 14.5 | 13.4 | 1.7 | 1.7 |
| | 520.2 | 474.0 | 29.2 | 29.6 |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

7. Particulars of employees (continued)

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management personnel for employee services is shown below:

| | 2019 £m | 2018 £m |
|-----------------------------|------------|------------|
| Salaries and other benefits | 11.8 | 12.6 |

8. Directors' emoluments

The directors' emoluments for the year were as follows:

| | 2019 £m | 2018 £m |
|----------------------|------------|------------|
| Aggregate emoluments | 5.9 | 5.5 |

During the year the number of directors who were accruing benefits under company pension schemes was as follows:

| | 2019 Number | 2018 Number |
|-----------------|----------------|----------------|
| Defined benefit | 1 | 1 |

The aggregate emoluments of the highest paid director (excluding pension contributions) were £2.5 million (2018: £2.9 million).

9. Interest payable and similar expenses

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Discounting charges | 18.3 | 16.1 |
| Interest payable on bank loans and overdrafts | 9.8 | 9.1 |
| | 28.1 | 25.2 |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

10. Tax on profit on ordinary activities

| Analysis of charge in the year | 2019 £m | 2018 £m |
|--|------------|------------|
| Current tax | | |
| UK corporation tax charge | 4.1 | 16.0 |
| Adjustments in respect of prior year | (0.6) | 2.7 |
| UK corporation tax | 3.5 | 18.7 |
| Overseas tax charge | 80.3 | 91.7 |
| Adjustments in respect of prior year | (4.6) | 7.8 |
| Foreign tax | 75.7 | 99.5 |
| Share of associate's tax | 1.1 | 1.2 |
| Total current tax | 80.3 | 119.4 |
| Deferred tax | | |
| Origination and reversal of timing differences | (10.8) | 12.0 |
| Adjustments in respect of prior year | 10.1 | (6.0) |
| Total deferred tax | (0.7) | 6.0 |
| Total tax on profit | 79.6 | 125.4 |

Factors affecting current year tax charge

The tax assessed on the profit for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

| The differences are explained below: | 2019 £m | 2018 £m |
|--|------------|------------|
| Profit before taxation | 276.3 | 310.4 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | 52.5 | 59.0 |
| Expenses not deductible for tax purposes | 10.4 | 6.7 |
| Other permanent differences | (13.4) | (15.8) |
| Adjustment in respect of foreign tax rates on trading income | 22.1 | 30.6 |
| Tax on overseas distributions | 18.6 | 41.2 |
| Adjustments in respect of prior year | 4.9 | 2.5 |
| Recognition of previously unrecognised tax losses | (15.5) | 2.8 |
| Unrecognised temporary differences | - | (1.6) |
| Total tax for the year | 79.6 | 125.4 |

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £5.6 million (2018: £3.1 million charge).

Future tax changes

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. These changes have been reflected in these financial statements. On 11 March 2020, it was announced that the reduction in the main rate to 17% would no longer proceed with the UK rate remaining at 19%. This change has yet to be substantively enacted and is therefore not reflected in these financial statements.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Dividend

Group and Company

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Equity dividends £1,950.32 per share (2018: £1,539.72 per share) | 95.0 | 75.0 |

12. Intangible fixed assets

| Group | Goodwill £m |
|---|----------------|
| Cost | |
| As at 1 January 2019 | 287.7 |
| Additions | 60.0 |
| As at 31 December 2019 | 347.7 |
| Accumulated amortisation | |
| As at 1 January 2019 | 160.3 |
| Charge for the year | 16.8 |
| As at 31 December 2019 | 177.1 |
| Net book value at 31 December 2019 | 170.6 |
| Net book value at 31 December 2018 | 127.4 |

On 4 February 2019, the group acquired 100% of the issued share capital of JCB Power Products Limited for total cash consideration of £51,000,000 from BHoldings Limited (which is a related party), and has been accounted for using the acquisition method. The net liabilities acquired and the subsequent fair values and contingent liabilities are as follows:

| | Book Value £m | Fair value adjustment £m | Total £m |
|--|------------------|--------------------------------|--------------|
| Tangible fixed assets | 0.2 | - | 0.2 |
| Stock | 8.0 | - | 8.0 |
| Debtors | 31.4 | (2.0) | 29.4 |
| Cash | 0.2 | - | 0.2 |
| Total assets | 39.8 | (2.0) | 37.8 |
| Creditors: amounts falling due within one year | (42.1) | (0.7) | (42.8) |
| Creditors: amounts falling due after one year | (1.6) | - | (1.6) |
| Provisions and contingent liabilities | (0.4) | (1.1) | (1.5) |
| Fair value of liabilities acquired | (4.3) | (3.8) | (8.1) |
| Cash consideration | | | 51.0 |
| Acquisition costs | | | 0.2 |
| | | | 51.2 |
| Goodwill on acquisition | | | 59.3 |

Included within the group's consolidated profit and loss account is revenue of £47.2 million and loss before tax of £5.0 million relating to JCB Power Products Limited since the acquisition date. Management's best estimate of the useful economic life of the generated goodwill, having considered the nature of the acquired business, is 20 years and is being amortised over this period. The accounting policies of JCB Power Products Limited have been aligned to those of the Group. During the year, the group also acquired the trade and assets of Yale/Chase Equipment and Services Inc. generating goodwill of £0.7m which is being amortised over 10 years.

Amortisation is charged in administrative expenses.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Tangible fixed assets

| Group | Land & Buildings | Plant & Machinery | Fixtures, Fittings & Equipment | Motor Vehicles | Assets in Course of Construction | Total |
|---|------------------|-------------------|--------------------------------|----------------|----------------------------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Cost | | | | | | |
| As at 1 January 2019 | 370.2 | 356.1 | 222.9 | 12.5 | 88.1 | 1,049.8 |
| Additions | 50.3 | 19.4 | 10.0 | 0.6 | 31.4 | 111.7 |
| Acquisition of subsidiary | 0.1 | 0.1 | - | - | - | 0.2 |
| Disposals | (2.2) | (4.5) | (1.2) | (2.1) | (0.2) | (10.2) |
| Reclassifications | 4.9 | 23.8 | 6.5 | - | (35.2) | - |
| Exchange adjustments | (10.1) | (8.0) | (2.2) | (0.1) | (2.2) | (22.6) |
| As at 31 December 2019 | 413.2 | 386.9 | 236.0 | 10.9 | 81.9 | 1,128.9 |
| Accumulated depreciation | | | | | | |
| As at 1 January 2019 | 99.7 | 268.2 | 149.0 | 7.8 | - | 524.7 |
| Charge for the year | 6.9 | 21.1 | 13.3 | 1.4 | - | 42.7 |
| Disposals | (0.7) | (3.1) | (1.2) | (0.8) | - | (5.8) |
| Exchange adjustments | (1.9) | (5.3) | (1.7) | (0.1) | - | (9.0) |
| As at 31 December 2019 | 104.0 | 280.9 | 159.4 | 8.3 | - | 552.6 |
| Net book value at 31 December 2019 | 309.2 | 106.0 | 76.6 | 2.6 | 81.9 | 576.3 |
| Net book value at 31 December 2018 | 270.5 | 87.9 | 73.9 | 4.7 | 88.1 | 525.1 |

Included within land and buildings is freehold land of £37.8 million (2018: £36.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

Capital commitments

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Contracted but not provided for in the financial statements | 20.1 | 44.9 |

| Company | Land & Buildings | Plant & Machinery | Fixtures, Fittings & Equipment | Assets in Course of Construction | Total |
|---|------------------|-------------------|--------------------------------|----------------------------------|-------------|
| | £m | £m | £m | £m | £m |
| Cost | | | | | |
| As at 1 January 2019 | 20.6 | 3.5 | 12.5 | 1.4 | 38.0 |
| Additions | - | - | 0.4 | - | 0.4 |
| As at 31 December 2019 | 20.6 | 3.5 | 12.9 | 1.4 | 38.4 |
| Accumulated Depreciation | | | | | |
| As at 1 January 2019 | 5.7 | 3.2 | 8.2 | - | 17.1 |
| Charge for the year | 0.3 | 0.1 | 0.7 | - | 1.1 |
| As at 31 December 2019 | 6.0 | 3.3 | 8.9 | - | 18.2 |
| Net book value at 31 December 2019 | 14.6 | 0.2 | 4.0 | 1.4 | 20.2 |
| Net book value at 31 December 2018 | 14.9 | 0.3 | 4.3 | 1.4 | 20.9 |

Included within land and buildings is freehold land of £2.0 million (2018: £2.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Investments

| | Group | | Company | |
|--------------------------------------|-------|------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Loans to group undertakings | | | | |
| As at 1 January | - | - | 34.3 | 35.3 |
| Additions | - | - | - | 0.4 |
| Repayment | - | - | - | (1.7) |
| Foreign exchange | - | - | (1.9) | 0.3 |
| At 31 December | - | - | 32.4 | 34.3 |
| Shares in group undertakings | | | | |
| As at 1 January | - | - | 394.3 | 344.3 |
| Additions | - | - | 51.2 | 50.0 |
| At 31 December | - | - | 445.5 | 394.3 |
| Total fixed asset investments | - | - | 477.9 | 428.6 |

Loans to group undertakings

Loans to group undertakings represent loans made to JCB Vibromax GmbH. The loan is repayable on demand and the interest rate is floating at 1% above Euro Refi Rate, payable annually in arrears.

| | Group | | Company | |
|---------------------------------|------------|------------|----------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Investment in associates | | | | |
| At 1 January | 4.4 | 4.5 | - | - |
| Share of profit after taxation | 4.3 | 4.9 | - | - |
| Dividend | (5.0) | (5.0) | - | - |
| At 31 December | 3.7 | 4.4 | - | - |

The group has a 25% investment in the ordinary share capital of JCB Finance Limited, a company incorporated in the UK that provides instalment credit and leasing facilities. The group's share of JCB Finance Limited's results, assets and liabilities is as follows:

| | 2019 | 2018 |
|-----------------------|---------|---------|
| | £m | £m |
| Turnover | 21.9 | 20.9 |
| Profit after taxation | 4.3 | 4.9 |
| Total assets | 252.9 | 235.9 |
| Total liabilities | (247.4) | (228.6) |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Investments (continued)

Group undertakings

At 31 December 2019 the company directly has the following subsidiary companies. All equity holdings are in Ordinary shares. The Directors consider the value of investments to be supported by the underlying assets and future trading forecasts.

| | Equity held | Principal business | Country of Incorporation |
|-----------------------------------|-------------|--------------------------------------|--------------------------|
| J C Bamford Excavators Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Earthmovers Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Cab Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Sales Limited | 100% | Sales and marketing | UK |
| JCB Transmissions | 100% | Transmissions manufacturer and sales | UK |
| JCB Accounting and Systems Ltd | 100% | Property investment company | UK |
| JCB Parts Ltd | 100% | Non-trading | UK |
| JCB Compact Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB do Brasil Ltda | 100% | Equipment manufacturer and sales | Brazil |
| JCB Vibromax GmbH | 100% | Equipment manufacturer and sales | Germany |
| JCB SpA | 100% | Equipment distributor | Italy |
| JCB Maquinaria SA | 100% | Services provider | Spain |
| JCB Sales Asia Pacific Pte Ltd | 100% | Equipment distributor | Singapore |
| JCB Kenya Services Limited | 100% | Services provider | Kenya |
| JCB Mini Excavators Limited | 100% | Non-trading | UK |
| JCB Special Products Limited | 100% | Non-trading | UK |
| JCB Attachments Limited | 100% | Non-trading | UK |
| JCB Argentina SRL | 100% | Services provider | Argentina |
| JCB Finance International Limited | 100% | Non-trading | UK |

Through its holding in the subsidiary companies listed above, the company also has an interest in:

| | Equity held | Principal business | Country of Incorporation |
|---------------------------------------|-------------|----------------------------------|--------------------------|
| JCB Australia Pty Ltd | 100% | Services provider | Australia |
| J C Bamford Investments | 100% | Investment trading | UK |
| JCB Benelux Ltd | 100% | Intermediate holding company | UK |
| JCB Insurance Services Limited | 100% | Insurance broker | UK |
| JCB Materials Handling Limited | 100% | Non-trading | UK |
| JCB Power Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Landpower Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Heavy Products Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Broadcrown Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Farms Limited | 100% | Farming | UK |
| Wootton Organic Wholesale Ltd | 100% | Farming | UK |
| JCB Backhoe Loaders Ltd | 100% | Non-trading | UK |
| JCB Remarketing Limited | 100% | Non-trading | UK |
| JCB Defence Products Limited | 100% | Non-trading | UK |
| JCB North America Limited | 98% | Intermediate holding company | UK |
| A Bamford Trading Company Limited* | 100% | Non-trading | UK |
| JCB Drivetrain Systems Limited* | 100% | Non-trading | UK |
| Daylesford Organic Farms Limited | 100% | Farming | UK |
| JCB Equipment Limited | 100% | Non-trading | UK |
| JCB Golf and Country Club Limited | 100% | Golf and Leisure facilities | UK |
| L Gardner & Sons Limited | 100% | Non-trading | UK |
| JCB Management Services | 100% | Non-trading | UK |
| JCB Credit Limited | 100% | Non-trading | UK |
| JCB US Holdings Inc | 98% | Intermediate holding company | USA |
| JCB Inc | 98% | Equipment distributor | USA |
| JCB Manufacturing Inc | 98% | Equipment manufacturer and sales | USA |
| JCB Finance Company | 98% | Finance company | USA |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Investments (continued)

| | Equity held | Principal business | Country of Incorporation |
|--|-------------|----------------------------------|--------------------------|
| North Georgia Construction LLC | 50% | Non-trading | USA |
| JCB Vibromax Inc | 100% | Non-trading | USA |
| JCB Dallas LLC | 98% | Equipment distributor | USA |
| JCB Houston LLC | 98% | Equipment distributor | USA |
| JCB Southern California LLC | 98% | Equipment distributor | USA |
| JCB Dallas Real Estate LLC | 98% | Real estate | USA |
| JCB Houston Real Estate LLC | 98% | Real estate | USA |
| JCB Southern California Real Estate LLC | 98% | Real estate | USA |
| JCB Belgium NV | 100% | Equipment distributor | Belgium |
| JCB Excavators Limited | 100% | Non-trading | Canada |
| JCB Europe SARL | 100% | Equipment marketing | France |
| JCB Ile de France SNC | 99.9% | Equipment distributor | France |
| JCB SAS | 99.9% | Services provider | France |
| Lyomat SAS | 99.9% | Equipment distributor | France |
| JCB Deutschland GmbH | 99% | Services provider | Germany |
| JCB Vertrieb and Service GmbH | 99% | Equipment distributor | Germany |
| JCB India Limited | 100% | Equipment manufacturer and sales | India |
| JCB Industries Private Limited | 100% | Equipment manufacturer and sales | India |
| J.C.Bamford Investments Private Limited | 100% | Intermediate holding company | India |
| JCB Literature Foundation* | 100% | Charitable company | India |
| Lady Bamford Foundation* | 100% | Charitable company | India |
| JCB Power Products India Private Limited | 100% | Equipment manufacturer and sales | India |
| JC Bamford Myanmar Private Limited | 100% | Non-trading | Myanmar |
| JC Bamford NV | 100% | Equipment distributor | Netherlands |
| JCB Russia LLC | 100% | Equipment distributor | Russia |

The companies marked with an asterisk (*) are not consolidated on the grounds that they are not material to the group.

The registered addresses of these companies are included in note 30.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Stock

| | Group | | Company | |
|------------------|-------|-------|---------|------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Raw materials | 210.4 | 262.5 | 3.7 | 3.7 |
| Work in progress | 104.7 | 86.6 | - | - |
| Finished goods | 115.5 | 147.4 | - | - |
| Parts for resale | 99.7 | 101.8 | 76.9 | 78.6 |
| | 530.3 | 598.3 | 80.6 | 82.3 |

During the year group stock recognised as an expense in cost of sales was £2,565.8 million (2018: £2,521.0 million). The company recognised £210.4 million (2018: £220.0 million) of stock as an expense in cost of sales.

Group stocks are stated after provisions of £45.9 million (2018: £43.2 million). Company stocks are stated after provisions of £17.2 million (2018: £15.1 million).

The value of stock in the balance sheet is not materially different from the replacement cost.

16. Debtors

| | Group | | Company | |
|--|-------|-------|---------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Trade debtors | 152.3 | 178.7 | 15.1 | 13.0 |
| Amounts owed by fellow subsidiaries of the TESN Group | 0.2 | 0.3 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 326.7 | 349.5 |
| Amounts owed by related parties outside the J.C.B. Service group | 197.2 | 230.1 | 4.9 | 14.0 |
| Corporation tax recoverable | 11.3 | 7.8 | 6.5 | 6.2 |
| Deferred tax | 106.8 | 99.7 | - | 1.2 |
| Other taxation and social security | 78.1 | 74.8 | 0.9 | 1.5 |
| Other debtors | 79.9 | 101.2 | 0.1 | 0.1 |
| Prepayments and accrued income | 29.6 | 35.0 | 1.9 | 1.7 |
| Derivative financial assets | 7.6 | - | 2.5 | - |
| | 663.0 | 727.6 | 358.6 | 387.2 |

Group and company trade debtors are stated net of amounts discounted without recourse of £237.2 million (2018: £294.0 million) and £14.4 million (2018: £14.5 million) respectively.

A bad debt provision of £4.5 million (2018: £3.2 million) has been recognised against group trade debtors, and £nil (2018: £nil) against company trade debtors. No other category of debtors is deemed to be impaired.

Of the amounts owed by subsidiary undertakings £26.6 million (2018: £44.8 million) are trading balances and do not gather interest. The remaining balance relates to loans which carry rates of interest between 1% and 4% (2018: 1% and 1.75%).

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Debtors (continued)

Deferred tax

The movement in the deferred tax asset during the year was:

| | Group | | Company | |
|---|-------------|-------------|----------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| As at 1 January | 54.8 | 39.3 | 1.2 | (0.5) |
| Deferred tax credit in profit and loss account | 0.3 | 10.5 | - | - |
| Deferred tax (charge)/credit to the statement of other comprehensive income | (3.5) | 4.2 | (1.2) | 1.7 |
| Deferred tax asset brought in on acquisitions | 2.3 | - | - | - |
| Currency adjustments | (1.5) | 0.8 | - | - |
| As at 31 December | 52.4 | 54.8 | - | 1.2 |

The deferred tax asset consists of the tax effect of timing differences in respect of:

| | Group | | Company | |
|---|-------------|-------------|----------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Excess of taxation allowances over depreciation on fixed assets | (2.3) | (3.1) | - | (0.1) |
| Tax losses available | 21.8 | 13.7 | - | - |
| Other timing differences | 32.9 | 44.2 | - | 1.3 |
| | 52.4 | 54.8 | - | 1.2 |

The movement in the deferred tax asset relating to pension schemes during the year was:

| | Group | |
|--|-------------|-------------|
| | 2019 | 2018 |
| | £m | £m |
| As at 1 January | 44.9 | 48.7 |
| Deferred tax credit in profit and loss account | 0.4 | 3.5 |
| Deferred tax charged to the statement of other comprehensive income: | | |
| - On remeasurement loss/(gain) | 9.1 | (7.3) |
| As at 31 December | 54.4 | 44.9 |

The net reversal of group deferred tax expected to occur next year is £8.9 million (2018: £3.8 million), relating to the increase in short term timing differences offset by the utilisation of tax losses.

The total amount of unrecognised deferred tax is £27.2 million (2018: £44.2 million) relating to carried forward tax losses. An asset has not been recognised due to the uncertainty of the future profitability of the companies to which it relates. Unrecognised deferred tax relating to losses of £21.0 million (2018: £33.0 million) begin to expire in 2026 (2018: 2023). Other losses do not expire and can be carried forward indefinitely.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Current asset investments

| | Group | | Company | |
|-------------------|-------|------|---------|------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Other investments | 12.7 | 11.3 | - | - |

Other investments represent holdings of other UK equities traded in active markets, the valuation of which is based on quoted market prices at the balance sheet date. The quoted market price used to value current asset investments held by the Group is the current bid price. A fair value gain on other investments of £1.4 million (2018: £0.5 million loss) has been recognised in the profit and loss account during the year.

18. Creditors: amounts falling due within one year

| | Group | | Company | |
|--|-------|-------|---------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Bank loans and overdrafts | 1.6 | 0.2 | - | - |
| Trade creditors | 302.8 | 441.4 | 13.1 | 23.5 |
| Derivative financial instruments | 2.8 | 12.1 | 1.4 | 6.8 |
| Amounts owed to fellow subsidiaries of the TESN Group | 1.7 | 2.4 | 1.7 | 2.4 |
| Amounts owed to subsidiary undertakings | - | - | 62.8 | 67.7 |
| Amounts owed to other related parties outside J.C.B. Service group | 25.7 | 32.0 | 15.1 | 2.3 |
| Corporation tax | 2.8 | 9.2 | - | - |
| Other taxation and social security | 19.7 | 22.2 | 0.5 | 0.6 |
| Pension costs | 13.4 | 10.4 | - | - |
| Other creditors | 65.8 | 66.5 | 7.1 | 0.5 |
| Sales incentives | 86.9 | 91.5 | 1.4 | 2.3 |
| Accruals and deferred income | 222.4 | 261.4 | 86.6 | 96.8 |
| | 745.6 | 949.3 | 189.7 | 202.9 |

The prior year comparatives have been re-classified to better align with the nature of the transactions.

The bank overdrafts are repayable on demand.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

19. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £m | £m | £m | £m |
| Senior loan notes | 195.2 | 195.2 | 195.2 | 195.2 |
| Other creditors | 1.2 | 1.2 | - | - |
| Derivative financial instruments | - | 3.6 | - | 1.7 |
| Deferred income | 16.3 | 17.0 | 16.3 | 17.0 |
| | 212.7 | 217.0 | 211.5 | 213.9 |

The group issued senior loan notes of £195.5 million principal on 26 July 2013. The loan notes mature on 26 July 2028 and interest is payable at a rate of 4.12%. The loan notes are stated net of capitalised arrangement fees of £0.3m (2018: £0.3m).

20. Provisions for liabilities

Group

| | 2019 Deferred tax £m | 2019 Warranty provision £m | 2019 Total £m | 2018 Deferred tax £m | 2018 Warranty provision £m | 2018 Total £m |
|--|-------------------------------|-------------------------------------|---------------------|-------------------------------|-------------------------------------|---------------------|
| As at 1 January | 20.0 | 88.1 | 108.1 | - | 62.1 | 62.1 |
| Charged to the profit and loss account | - | 98.6 | 98.6 | 20.0 | 122.1 | 142.1 |
| Amounts utilised during the year | - | (102.0) | (102.0) | - | (96.1) | (96.1) |
| As at 31 December | 20.0 | 84.7 | 104.7 | 20.0 | 88.1 | 108.1 |

Company

| | 2019 Deferred tax £m | 2019 Warranty provision £m | 2019 Total £m | 2018 Deferred tax £m | 2018 Warranty provision £m | 2018 Total £m |
|---|-------------------------------|-------------------------------------|---------------------|-------------------------------|-------------------------------------|---------------------|
| As at 1 January | - | 13.7 | 13.7 | 0.5 | 13.0 | 13.5 |
| Charged/(credited) to the profit and loss account | 0.5 | 31.0 | 31.5 | (0.5) | 29.0 | 28.5 |
| Amounts utilised during the year | - | (29.9) | (29.9) | - | (28.3) | (28.3) |
| As at 31 December | 0.5 | 14.8 | 15.3 | - | 13.7 | 13.7 |

The group deferred tax liability relates to unremitted retained earnings of overseas subsidiaries.

The company deferred tax liability relates to excess taxation allowances over depreciation and other timing differences.

It is expected that most warranty expenditure will be incurred in the next financial year, and the significant majority will be incurred within two years of the balance sheet date. Included in other debtors (note 16) is an amount totalling £30.6 million (2018: £32.9 million) (group), and £nil (2018: £nil) (company) representing amounts recoverable from suppliers.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

21. Pension scheme deficit

| Pension schemes | 2019 | 2018 |
|--|-------|-------|
| Defined benefit schemes with net assets (net of deferred tax) comprise: | £m | £m |
| UK | - | - |
| Defined benefit schemes with net liabilities (net of deferred tax) comprise: | 2019 | 2018 |
| | £m | £m |
| UK | 241.9 | 207.6 |
| Overseas | 10.0 | 11.5 |
| | 251.9 | 219.1 |

UK

In the UK, pension arrangements are principally provided by two defined benefit schemes, J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit Scheme (Senior Directors). The most recent formal actuarial valuations were carried out as at 6 April 2018 and 1 January 2017 respectively (both updated to 31 December 2019) by Mercer, a qualified independent actuary.

Overseas

Four schemes provide pensions under defined benefit arrangements. A valuation of these schemes has been prepared by an independent, qualified actuary, as at 31 December 2019 using a methodology consistent with FRS 102.

The total amounts recognised in the balance sheet are as follows:

| | 2019 | 2018 |
|-------------------------------------|-----------|---------|
| | £m | £m |
| Present value of funded obligations | (1,157.6) | (995.3) |
| Fair value of plan assets | 884.9 | 767.3 |
| | (272.7) | (228.0) |
| Effect of surplus cap | (33.6) | (36.0) |
| Pension scheme deficit | (306.3) | (264.0) |

The amounts recognised in the profit and loss account within operating profit are as follows:

| | 2019 | 2018 |
|--|--------|--------|
| | £m | £m |
| Current service cost & scheme administration costs | 23.7 | 23.6 |
| Past service cost* | - | 6.8 |
| Interest cost | 29.7 | 27.8 |
| Interest income on plan assets | (23.3) | (21.3) |
| Net pension cost recognised in the profit and loss account | 30.1 | 36.9 |

*The past service cost relates to Guaranteed Minimum Pension

The amounts recognised in the statement of comprehensive income are as follows:

| | 2019 | 2018 |
|--|-------|--------|
| | £m | £m |
| Remeasurement losses/(gains) immediately recognised | 56.5 | (43.3) |
| Effect of surplus cap | (3.5) | (0.4) |
| Total pension losses/(gains) recognised in the statement of comprehensive income | 53.0 | (43.7) |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

21. Pension scheme deficit (continued)

Changes in the present value of the defined benefit obligations are as follows:

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Benefit obligations at beginning of year | 995.3 | 1,045.3 |
| Current service cost | 22.6 | 22.8 |
| Past service cost | - | 6.8 |
| Interest cost | 29.7 | 27.8 |
| Plan participants' contributions | 4.7 | 4.7 |
| Remeasurement loss/(gains) | 136.9 | (80.6) |
| Benefits paid | (28.7) | (30.7) |
| Insurance premiums for risk benefits | (1.8) | (1.0) |
| Exchange differences | (1.1) | 0.2 |
| Benefit obligations at end of year | 1,157.6 | 995.3 |

Changes in the fair value of the plan assets are as follows:

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Fair value of plan assets at beginning of year | 767.3 | 794.7 |
| Interest income on plan assets | 23.3 | 21.3 |
| Remeasurement gains/(loss) | 80.4 | (37.3) |
| Employer contributions | 40.0 | 15.5 |
| Member contributions | 4.7 | 4.7 |
| Benefits paid | (28.7) | (30.7) |
| Insurance premiums for risk benefits | (1.8) | (1.0) |
| Exchange differences | (0.3) | 0.1 |
| Fair value of plan assets at end of year | 884.9 | 767.3 |

Changes in the pension scheme deficit are as follows:

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Pension scheme deficit at beginning of year | 264.0 | 286.1 |
| Current service cost | 22.6 | 22.8 |
| Past service cost | - | 6.8 |
| Interest cost | 29.7 | 27.8 |
| Interest income on plan assets | (23.3) | (21.3) |
| Remeasurement loss/(gains) | 56.5 | (43.3) |
| Employer contributions | (40.0) | (15.5) |
| Exchange differences | (0.8) | 0.1 |
| Effect of surplus cap | (2.4) | 0.5 |
| Pension scheme deficit at end of year | 306.3 | 264.0 |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

21. Pension scheme deficit (continued)

The major categories of plan assets as percentages of total plan assets are as follows:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|-----------------|----------------------|--------|------------------|--------|----------|--------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Equities | 52.1% | 53.1% | 1.9% | 4.1% | - | - |
| Property | 6.4% | 7.9% | - | - | - | - |
| Corporate Bonds | 5.2% | 5.1% | - | - | - | - |
| Gilts | 35.4% | 33.8% | 98.0% | 95.8% | - | - |
| Other | 0.9% | 0.1% | 0.1% | 0.1% | 100.0% | 100.0% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Weighted average assumptions used to determine benefit obligations:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|-------------------------------|----------------------|-------|------------------|-------|----------|-------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 2.20% | 3.00% | 2.20% | 3.00% | 1.50% | 2.25% |
| Rate of salary increase | 2.90% | 3.10% | 2.90% | 3.10% | 2.75% | 2.75% |
| Rate of price inflation (RPI) | 2.90% | 3.10% | 2.90% | 3.10% | 1.75% | 1.75% |
| Rate of pension increases | 2.75% | 2.95% | 2.75% | 2.95% | 1.75% | 1.75% |

Assumed life expectations on retirement at age 65:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|----------------------|------|------------------|------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Male member age 65 (current life expectancy) | 22.1 | 22.1 | 26.6 | 26.6 | 19.3-24.8 | 20.0-24.8 |
| Male member aged 45 (life expectancy at age 65) | 23.8 | 23.7 | 29.4 | 29.2 | 23.3-28.3 | 23.5-28.3 |
| Female member age 65 (current life expectancy) | 24.5 | 24.5 | 28.0 | 28.0 | 22.5-28.3 | 23.6-28.3 |
| Female member aged 45 (life expectancy at age 65) | 26.3 | 26.2 | 30.9 | 30.8 | 26.4-32.0 | 26.4-32.0 |

The group has considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Over the year to 31 December 2019 the group paid contributions of £39.1 million (2018: £14.3 million) to the J C Bamford Lifeplan scheme. Over 2020 the group expects to contribute at least 25% of members' pensionable salary plus at least £17.0 million additional contributions. The J C Bamford Lifeplan is closed to new entrants and as such the age profile of the active membership will increase over time. As a result, under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

21. Pension scheme deficit (continued)

Over the year to 31 December 2019 the group also paid contributions of £0.9 million (2018: £1.2 million) to the group's other defined benefit pension schemes.

Cumulative actuarial losses recognised in the Statement of Other Comprehensive Income, net of deferred tax, totalled £228.0 million at 31 December 2019 (2018: £184.1 million).

Defined benefit costs recognised in the profit and loss account are charged to administrative expenses.

22. Financial Instruments

| Group | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|-------|------------|------------|------------|------------|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | 7.6 | | - | |
| - Current asset investments | 17 | 12.7 | | 11.3 | |
| | | | 20.3 | | 11.3 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | 152.3 | | 178.7 | |
| - Amounts owed by fellow subsidiaries of the TESN group | 16 | 0.2 | | 0.3 | |
| - Amounts owed by related parties outside J.C.B. Service group | 16 | 197.2 | | 230.1 | |
| - Other debtors | 16 | 79.9 | | 101.2 | |
| | | | 429.6 | | 510.3 |
| Financial assets constituting equity instruments measured at cost less impairment | | | | | |
| | | | 3.7 | | 4.4 |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | 2.8 | | 15.7 |
| Financial liabilities measured at amortised cost | | | | | |
| - Bank loans and overdrafts | 18 | 1.6 | | 0.2 | |
| - Senior loan notes | 19 | 195.2 | | 195.2 | |
| - Trade creditors | 18 | 302.8 | | 441.4 | |
| - Amounts owed to fellow subsidiaries of the TESN group | 18 | 1.7 | | 2.4 | |
| - Amounts owed to other related parties outside J.C.B. Service group | 18 | 25.7 | | 32.0 | |
| - Other creditors and accruals | | 354.2 | | 403.5 | |
| | | | 881.2 | | 1,074.7 |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Financial Instruments (continued)

| Company | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|-------|------------|------------|------------|------------|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | | 2.5 | | - |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | 15.1 | | 13.0 | |
| - Amounts owed by subsidiary undertakings | 16 | 326.7 | | 349.5 | |
| - Amounts owed by related parties outside J.C.B Service group | 16 | 4.9 | | 14.0 | |
| - Other debtors | 16 | 0.1 | | 0.1 | |
| | | | 346.8 | | 376.6 |
| Financial assets constituting equity instruments measured at cost less impairment | | | | | |
| | | | - | | - |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | 1.4 | | 8.5 |
| Financial liabilities measured at amortised cost | | | | | |
| - Senior loan notes | 19 | 195.2 | | 195.2 | |
| - Trade creditors | 18 | 13.1 | | 23.5 | |
| - Amounts owed to fellow subsidiaries of the TESN group | 18 | 1.7 | | 2.4 | |
| - Amounts owed to subsidiary undertakings | 18 | 62.8 | | 67.7 | |
| - Amounts owed to other related parties outside J.C.B. Service group | 18 | 15.1 | | 2.3 | |
| - Other creditors and accruals | 18 | 83.8 | | 99.7 | |
| | | | 371.7 | | 390.8 |

Details of conditions pertaining to debt are disclosed in notes 18 and 19 of these financial statements.

Derivative financial instruments

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain forecast foreign currency sales and receivables. At 31 December 2019, the outstanding contracts all mature within 23 months of the year end (2018: 20 months). The group is committed to sell \$470.0 million and €20.0 million (2018: \$442.5 million and €35.0 million) in exchange for pounds sterling.

The company is committed to sell \$137.5 million and €nil (2018: \$182.5 million and €35.0 million) in exchange for pounds sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The net fair value of the forward-foreign currency contracts is an asset of £4.8 million (2018: £15.7 million liability) for the group and a net asset of £1.1 million (2018: £8.5 million liability) for the company.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

23. Called up share capital

| Group and Company | 2019 £ | 2018 £ |
|---|---------------|-----------|
| Allotted, called up and fully paid up | | |
| 48,710 Ordinary shares of £1 each (2018: 48,710 Ordinary shares of £1 each) | 48,710 | 48,710 |

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from winding up of the company. The shares are non-redeemable.

24. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes premiums received on issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves - comprises reserves designated for capital and other purposes including derivative financial instruments.

Profit and loss account – includes all current and prior year retained profits and losses.

25. Reconciliation of operating profit to operating cash flows

| | 2019 £m | 2018 £m |
|---|----------------|------------|
| Operating profit | 290.3 | 316.1 |
| Depreciation | 42.7 | 39.8 |
| Amortisation of goodwill | 16.8 | 14.3 |
| Loss/(profit) on disposal of fixed assets | 0.2 | (0.6) |
| Difference between pension charge and cash contributions | (10.7) | 21.6 |
| (Increase)/decrease in fair value of current asset investments | (1.4) | 0.5 |
| Decrease/(increase) in stock | 62.3 | (173.6) |
| Decrease/(increase) in debtors | 49.3 | (40.4) |
| (Decrease)/increase in creditors (including warranty provision) | (196.5) | 162.7 |
| Currency translation differences | 10.7 | (9.7) |
| Net cash inflow from operating activities | 263.7 | 330.7 |

26. Contingent liabilities

Group

Various companies within the group have a contingent liability in respect of guarantees and indemnities given by Barclays Bank plc, HSBC Bank plc and Lloyds Bank plc on their behalf. The group's liability in respect of these at 31 December 2019 was £52.1 million (2018: £54.2 million).

Company

The company has a contingent liability in relation to guarantees and indemnities given by Barclays Bank plc and HSBC Bank plc on its behalf. The company's liability in respect of these at 31 December 2019 was £38.7 million (2018: £39.6 million).

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

27. Related party transactions

The company has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A not to disclose details of transactions with entities that are wholly owned members of the group.

Other related parties - group

The group subcontracts some of its research and development projects, and related management services, to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of services purchased by the group during the year was £99.1 million (2018: £109.0 million). The net amount owed by JCB Research to the group at 31 December 2019 was £68.5 million (2018: £35.3 million).

JCB Research is party to a jointly and severally liable pooled banking facility. At 31 December 2019 the group had an exposure of £307.6 million (2018: £262.4 million).

The group has transacted machines and parts with JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £5.6 million (2018: £2.4 million) and purchases of £51.7 million (2018: £67.3m). The net amount owed to the group at 31 December 2019 by JCB Construction Equipment (Shanghai) Limited was £7.3 million (2018: £12.2 million).

The group also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £131.7 million (2018: £145.9 million). The net amount owed to JCB Hong Kong Limited at 31 December 2019 was £21.9 million (2018: £9.6 million).

The group transacts business with BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders. The group purchased branded products and merchandise from and sold parts to the BHoldings Limited group of companies. The total value of these transactions was sales and recharges of £16.1 million (2018: £14.0 million) and purchases of £nil (2018: £0.4 million). The group paid £2.5 million (2018: £2.3 million) as a promotional services fee to BHoldings Limited. The net amount owed to the group by the BHoldings Limited group of companies at 31 December 2019 was £7.0 million (2018: £60.2 million).

During the year, the group acquired 100% of the issued share capital of JCB Power Products Limited, a company wholly owned by BHoldings Limited for cash consideration of £51.0 million.

The group has loaned funds to and provided administrative services to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The total value of these transactions was sales of £6.1 million (2018: £3.4 million). The net amount owed to the group by JCB Access Limited at 31 December 2019 was £15.8 million (2018: £12.4 million).

The group has also provided administrative services to Thrip Enterprises LLP, a partnership in which Lady Bamford OBE is a partner. The total value of these services was £nil (2018: £0.4 million) and the amount owed to the Group at 31 December 2019 was £1.0 million (2018: £1.1 million).

The group has incurred management and finance charges of £3.4 million (2018: £2.6 million) from JCB Finance SAS, a company that is jointly owned by BNP Paribas Lease Group SA and Transmissions and Engineering Services Netherlands BV, the immediate parent company. The net amount owed to the group at 31 December 2019 by JCB Finance SAS was £0.6 million (2018: £nil).

The group has incurred rental and other charges of £1.8 million (2018: £2.3 million) from Bamford Property Limited, a company ultimately controlled by Bamford family interests. The group recharged expenditure of £10.6 million (2018: £9.3 million) incurred on behalf of this company during the year. The net amount owed to the group by Bamford Property Limited was £86.5 million at 31 December 2019 (2018: £80.0 million).

The group has a receivable of £5.1 million (2018: £5.1 million) with B Uttoxeter Property Holdings Limited, a company ultimately controlled by Bamford family interests.

The group has a receivable of £2.2 million (2018: £2.1 million) with B Cheadle Property Holdings Limited, a company ultimately controlled by Bamford family interests.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

27. Related party transactions (continued)

The group has a liability of £1.7 million (2018: £2.4 million) and a receivable of £0.2 million (2018: £0.3 million) with JCB Euroservices SARL, a fellow subsidiary of Transmissions and Engineering Services Netherlands BV.

Details of emoluments paid to the directors are disclosed in note 9 of these financial statements.

Other related parties – company

The company subcontracts some of its management services to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of these transactions during the year was £58.7 million (2018: £68.7 million). The net amount owed to JCB Research by the company at 31 December 2019 was £nil (2018: £68.7 million).

The company has purchased parts from JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was purchases of £0.2 million (2018: £0.2 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited by the company at 31 December 2019 by was £0.7 million (2018: £1.0 million).

The company also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £4.7 million (2018: £5.3 million). The net amount owed to JCB Hong Kong Limited at 31 December 2019 was £14.4 million (2018: £1.3 million).

The company has sold parts and loaned funds to BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders and the total value of these sales was £nil (2018: £0.5 million). The net amount owed to the company by the BHoldings Limited group of companies at 31 December 2019 was £nil (2018: £7.2 million).

The company has loaned funds to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The net amount owed to the company by JCB Access Limited at 31 December 2019 was £4.9 million (2018: £6.7 million).

Details of emoluments paid to the directors are disclosed in note 8 of these financial statements.

28. Ultimate controlling party

The company is a subsidiary of Transmissions and Engineering Services Netherlands BV (“TESN”), a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV is the largest and smallest group which consolidates the financial statements of J.C.B. Service and is ultimately controlled by Bamford family interests. Financial statements for Transmissions and Engineering Services Netherlands BV can be obtained from the Chamber of Commerce, Blaak 40, 3011 TA, Rotterdam.

29. Events after the reporting period

On 1 January 2020, the group disposed of its investments in JCB Farms Limited; Daylesford Organic Farms Limited; and Wootton Organic Wholesale Limited to Bamford Property Limited for cash consideration of £1. There was no profit or loss on disposal.

On 18 March 2020, the group took the decision to close the majority of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The group has reopened the majority of its factories in May 2020. As this is considered only a temporary disruption, no asset impairments are deemed necessary.

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

30. Registered Addresses

The registered addresses of the subsidiary and associated undertakings are detailed below:

| Company | Registered address |
|--|--|
| J C Bamford Excavators Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford Investments | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Benelux Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Earthmovers Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Cab Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Insurance Services Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Materials Handling Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Sales Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Transmissions | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Landpower Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Heavy Products Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Farms Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| Wootton Organic Wholesale Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Backhoe Loaders Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Accounting and Systems Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Parts Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Remarketing Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Defence Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Broadcrown Limited | Hixon Airfield Industrial Estate, Hixon, Stafford, England, ST18 0PF |
| JCB Power Products India Private Limited | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Compact Products Limited | Harewood Estate, Leek Road, Cheadle, Stoke-on-Trent, ST10 2JU |
| JCB North America Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| A Bamford Trading Company Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Drivetrain Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Belgium NV | Nijverheidslaan, 1501, 3660, Opglabbeek, België |
| JCB do Brasil Ltda | Avenida Joseph Cyril Bamford, 3600 – Eden – Sorocaba- São Paulo, 18013-139 |
| JCB Excavators Limited | 145 King St. W. Ste 2701 Toronto, CA M5H 1J8 |
| JCB Europe SARL | 3, Rue du Vignolle, 95842, Sarcelles, France |
| JCB Ile de France SNC | 5, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB SAS | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| Lyomat SAS | Chemin De La Lone, 6 9491, Pierre-Bénite, France |
| JCB Deutschland GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB Vertrieb and Service GmbH | Europaallee 113, 50226 Frechen, Germany |
| JCB Vibromax GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB India Limited | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB SpA | Via Enrico Fermi, 16, 20090, Assago (Milan), Italy |
| Daylesford Organic Farms Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford NV | Zandweistraat, 16, 4181, CG Waardenburg, Netherlands |
| JCB Russia LLC | Russian Federation, 107045, Moscow, Trubnaya St, 12, Office 1A |
| JCB Maquinaria SA | C/Francisco Alonso, 11-B, 28806, Alcalá de Henares, Madrid, Spain |
| JCB Sales Asia Pacific Pte Ltd | No.50 Collyer Quay, #04-04 OUE Bayfront, Singapore 049321 |
| JCB US Holdings Inc | 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA |
| JCB Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Manufacturing Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Finance Company | 103 Foulk Road, Suite 202, Wilmington, DE 19803 |
| North Georgia Construction LLC | 2679 Barrett Lakes Blvd, Kennesaw Ga 30144, USA |
| JCB Kenya Services Limited | LR. 1/1228, Chaka Place, Argwings, Khodhek Road, P.O BOX 46971-00100, Kenya |
| JCB Australia Pty Ltd | Suite 16, 828 High Street, Kew East VIC 3102, Australia |
| JCB Mini Excavators Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Special Products Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |

J.C.B. Service

Notes to the financial statements for the year ended 31 December 2019 (continued)

30. Registered Addresses (continued)

| Company | Registered address |
|---|--|
| JCB Attachments Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Vibromax Inc | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Argentina SRL | Carlos Pellegrini 1135, 6th Floor, City of Buenos Aires, Argentina |
| JCB Finance International Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Equipment Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JC Bamford Myanmar Private Limited | 192 Kaba Aye Pagoda Road, Bahan Township, Yangon City, Myanmar |
| JCB Golf and Country Club Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Industries Private Limited | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| L Gardner & Sons Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Management Services | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Credit Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| J C Bamford Investments Private Limited | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Literature Foundation | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| Lady Bamford Foundation | B-1/I-1, 2 nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Dallas LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Dallas Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Finance Limited | The Mill, High Street, Rocester, Nr Uttoxeter, ST14 5JW |