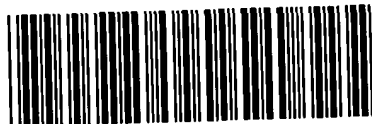


JCB Service

Directors' Report and Consolidated Financial Statements  
for the year ended 31 December 2017

Registered number 00564955

SATURDAY



\*A7F240WX\*

A07

22/09/2018

#245

COMPANIES HOUSE

# **JCB Service**

## **Contents**

Directors and advisors.....	1
Strategic report for the year ended 31 December 2017.....	2
Directors' report for the year ended 31 December 2017 .....	4
Independent auditors' report to the members of JCB Service .....	6
Consolidated profit and loss account for the year ended 31 December 2017 .....	8
Consolidated statement of comprehensive income for the year ended 31 December 2017.....	8
Consolidated balance sheet as at 31 December 2017 .....	9
Company balance sheet as at 31 December 2017.....	10
Consolidated statement of cash flows for the year ended 31 December 2017.....	11
Consolidated statement of changes in equity for the year ended 31 December 2017.....	12
Company statement of changes in equity for the year ended 31 December 2017 .....	12
Notes to the financial statements for the year ended 31 December 2017 .....	13

# **JCB Service**

## **Directors and advisors**

### **Directors**

The Lord Bamford DL  
G H A Bamford  
E T D Leadbeater  
G A Macdonald  
M W E Turner  
R I Molson

### **Company secretary**

S E R Owens

### **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  
4<sup>th</sup> Floor  
120 Edmund Street  
Birmingham  
B3 2QZ

The Royal Bank of Scotland  
3<sup>rd</sup> Floor  
280 Bishopsgate  
London  
EC2M 4RB

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

# **JCB Service**

## **Strategic report for the year ended 31 December 2017**

The directors present their strategic report on the group for the year ended 31 December 2017.

### **Principal activities**

The principal activity of JCB 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.

### **Review of the business and future developments**

In 2017 the global construction equipment market grew by more than 21% compared to 2016 (Source: ISTAT). This growth was dominated by strong growth in China (74%) which, as a proportion of the world market, is now equal in size to North America. In the other BRIC economies market conditions were mixed: Brazil was down 11% (although it is expected to return to growth in 2018); Russia was up 67%; and India was up by 16%. Market growth was exhibited in most other markets including Europe, the UK & Ireland and North America. During 2017, against this backdrop of market growth, JCB Service successfully realised gain in market share in all of the markets in which it actively competes.

Group turnover of £3,353.9 million (2016: £2,620.9 million) has increased by 28% in comparison to the prior year, which reflects a 20% increase in the number of units sold. Turnover increased in all key markets, gross margin remains strong and operating profit for the year was £212.5 million (2016: £167.6 million). The Group continues to invest in research and development; 46 new machines for construction and agricultural markets were launched in 2017 and a further 40 new machines will be launched in 2018.

The group has a strong balance sheet and net cash is £444.1 million (2016: £373.7 million). The group generated gross cash of £120.4 million in the year (2016: £137.3 million) prior to the payment of a £60.0 million dividend and invested £39.4 million in capital assets (2016: £32.3 million).

Results in the early part of 2018 are in line with expectations. The global construction market is expected to grow in 2018, and the group's share of this market is also expected to grow. However, the rate of growth of individual markets will vary considerably, dependent upon local economic and geopolitical conditions. The group remains confident about its longer-term prospects and will continue to invest in its manufacturing and distribution base, and in new product development, throughout 2018 and beyond.

### **Principal risks and uncertainties**

The principal risk facing JCB Service is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, JCB 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, JCB Service has grown in the good years and weathered the downturns, increasing the size of the business as each cycle progresses.

### **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**

JCB 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. JCB Service has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

# JCB Service

## Strategic report for the year ended 31 December 2017 (continued)

### Financial Risk Management (continued)

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, JCB Service uses a mixture of short term facilities, invoice discounting, term debt 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 2017 was an asset of £9.2 million (2016: liability of £25.6 million).

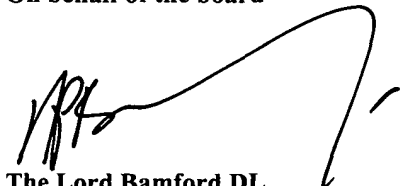
#### *Interest rate risk*

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 £195.1 million (2016: £195.1 million), which attract a fixed interest rate, whilst interest payable on the bank loans and overdrafts is linked to LIBOR.

#### **Key performance indicators (KPIs)**

JCB Service uses a range of financial and non-financial indicators to monitor performance. The key performance indicators are: market share, revenue and profit trends, cash generation, research and development investment and other operational statistics including health, safety and environmental, factory productivity, and product quality.

On behalf of the board



**The Lord Bamford DL**  
Chairman

25 MAY 2018

## **JCB Service**

### **Directors' report for the year ended 31 December 2017**

The directors present their report and the audited consolidated and company financial statements for the year ended 31 December 2017.

#### **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 £60.0 million during the year (2016: £nil).

#### **Research and development**

The group continues to invest in product research and development with expenditure during the year of £81.2 million (2016: £69.1 million).

#### **Political donations**

The company made political donations to The Conservative Party of £1.5 million during the year (2016: £nil).

#### **Statutory records**

The company is an 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 (resigned 14 June 2017)  
J Patterson CBE (resigned 14 June 2017)  
J C E Bamford (resigned 14 June 2017)  
A C Bamford (resigned 14 June 2017)  
G H A Bamford  
E T D Leadbeater  
G A Macdonald  
M W E Turner (appointed 14 June 2017)  
R I Molson (appointed 14 June 2017)

#### **Directors indemnity insurance**

The company purchases liability 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.

#### **Employees**

The directors acknowledge the need to encourage employee involvement in the improvement of the group's performance by supplying information on matters of importance, through regular consultation with employees. Information is provided by various means, including audio-visual presentations, company newspapers and information bulletins. There is also an annual review of the group's financial performance, which is presented to all employees. Employees are encouraged to participate in local schemes designed to improve performance in the areas in which they work.

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.

#### **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.

## JCB Service

### Directors' report for the year ended 31 December 2017 (continued)

#### Statement of directors' responsibilities

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 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.

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.

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.

This statement is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

#### 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

25 MAY 2018

# **Independent Auditors' Report to the members of JCB Service**

## **Report on the audit of the financial statements**

---

### **Opinion**

In our opinion, JCB 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 2017 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 2017; the consolidated profit and loss account and consolidated statement of other 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 when:

- 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.



# JCB Service

## Independent Auditors' Report to the members of JCB Service (continued)

### *Strategic Report and Directors' Report*

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 2017 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 set out on page 5, 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](http://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  
25 May 2018

## JCB Service

### Consolidated profit and loss account for the year ended 31 December 2017

	Note	2017 £m	2016 £m
Turnover	5	3,353.9	2,620.9
Cost of sales		(2,666.6)	(2,109.4)
<b>Gross profit</b>		<b>687.3</b>	<b>511.5</b>
Distribution costs		(176.5)	(148.3)
Administrative expenses		(298.3)	(195.6)
<b>Operating profit</b>	7	<b>212.5</b>	<b>167.6</b>
Share of associate's profit before tax		5.8	6.0
Interest receivable and similar income		8.6	11.8
Interest payable and similar expenses	10	(23.9)	(20.7)
<b>Profit before taxation</b>		<b>203.0</b>	<b>164.7</b>
Tax on profit	11	(70.8)	(62.1)
<b>Profit for the financial year</b>		<b>132.2</b>	<b>102.6</b>

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 £43.4 million (2016: £133.0 million).

All activities are derived from continuing operations.

### Consolidated statement of comprehensive income for the year ended 31 December 2017

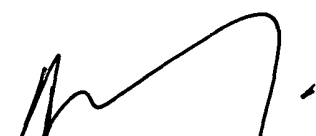
	Note	2017 £m	2016 £m
Profit for the financial year		132.2	102.6
Foreign exchange adjustments		(25.0)	76.7
Change in value of hedging instruments:			
Gains/(losses) arising during the year		16.7	(25.6)
Re-classified to profit or loss		18.2	-
Movement on deferred tax relating to hedging instruments		(5.9)	4.3
Re-measurement of pension liability	22	53.9	(169.8)
Movement on deferred tax relating to pension liability		(9.2)	26.1
<b>Other comprehensive income/(expense)</b>		<b>48.7</b>	<b>(88.3)</b>
<b>Total comprehensive income for the year</b>		<b>180.9</b>	<b>14.3</b>

# JCB Service

## Consolidated balance sheet as at 31 December 2017

	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Intangible assets	13	140.5	154.8
Tangible assets	14	483.1	496.3
Investments	15	4.5	4.8
		<b>628.1</b>	<b>655.9</b>
<b>Current assets</b>			
Stock	16	423.4	364.9
Debtors	17	691.1	573.8
Investments	18	11.8	8.7
Cash at bank and in hand		734.8	674.1
		<b>1,861.1</b>	<b>1,621.5</b>
<b>Creditors – amounts falling due within one year</b>	19	<b>(789.2)</b>	<b>(665.6)</b>
<b>Net current assets</b>		<b>1,071.9</b>	<b>955.9</b>
<b>Total assets less current liabilities</b>		<b>1,700.0</b>	<b>1,611.8</b>
Creditors: amounts falling due after more than one year	20	(281.3)	(295.3)
Provisions for liabilities	21	(82.5)	(64.4)
Pension scheme deficit	22	(286.1)	(322.9)
<b>Net assets</b>		<b>1,050.1</b>	<b>929.2</b>
<b>Capital and reserves</b>			
Called up share capital	24	-	-
Share premium account	25	31.7	31.7
Other reserves	25	46.8	17.8
Profit and loss account	25	971.6	879.7
<b>Total equity</b>		<b>1,050.1</b>	<b>929.2</b>

The financial statements on pages 8 to 40 were approved by the board of directors on **25 MAY 2018** and were signed on its behalf by:



The Lord Bamford DL  
Chairman

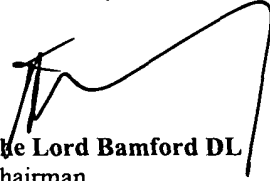
Company registration number: 00564955

# JCB Service

## Company balance sheet as at 31 December 2017

	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Tangible assets	14	20.9	21.3
Investments	15	379.6	357.6
		<b>400.5</b>	<b>378.9</b>
<b>Current assets</b>			
Stock	16	67.7	60.8
Debtors	17	464.1	343.4
Investments	18	-	0.1
Cash at bank and in hand		161.3	313.0
		<b>693.1</b>	<b>717.3</b>
<b>Creditors – amounts falling due within one year</b>	19	<b>(94.2)</b>	<b>(94.3)</b>
<b>Net current assets</b>		<b>598.9</b>	<b>623.0</b>
<b>Total assets less current liabilities</b>		<b>999.4</b>	<b>1,001.9</b>
Creditors: amounts falling due after more than one year	20	(280.1)	(290.1)
Provisions for liabilities	21	(33.9)	(20.3)
<b>Net assets</b>		<b>685.4</b>	<b>691.5</b>
<b>Capital and reserves</b>			
Called up share capital	24	-	-
Share premium account	25	31.7	31.7
Other reserves	25	1.4	(9.1)
Profit and loss account brought forward		668.9	535.9
Profit for the year		43.4	133.0
Dividends paid		(60.0)	-
Profit and loss account	25	652.3	668.9
<b>Total equity</b>		<b>685.4</b>	<b>691.5</b>

The financial statements on pages 8 to 40 were approved by the board of directors on **25 MAY 2018** and were signed on its behalf by:

  
**The Lord Bamford DL**  
 Chairman

## JCB Service

### Consolidated statement of cash flows for the year ended 31 December 2017

	Note	2017 £m	2017 £m	2016 £m	2016 £m
<b>Net cash inflow from operating activities</b>	26		<b>250.8</b>		219.7
Taxation paid			(76.0)		(70.1)
<b>Net cash generated from operating activities</b>			<b>174.8</b>		149.6
<b>Cash flow from investing activities</b>					
Purchase of tangible assets		(39.4)		(32.3)	
Proceeds from sale of tangible assets		5.5		1.1	
Purchase of shares		(0.3)		(7.1)	
Interest received		8.3		11.8	
Dividends received from associate		5.0		6.2	
Dividends received from investments		0.3		-	
<b>Net cash used in investing activities</b>			<b>(20.6)</b>		(20.3)
<b>Cash flow from financing activities</b>					
Repayment of loan payable – less than 1 year		(10.0)		(10.0)	
Dividends paid to shareholders		(60.0)		-	
Interest paid		(23.9)		(20.7)	
<b>Net cash used in financing activities</b>			<b>(93.9)</b>		(30.7)
<b>Net increase in cash and cash equivalents</b>			<b>60.3</b>		98.6
<b>Cash and cash equivalents at the beginning of the year</b>			<b>673.8</b>		536.5
<b>Foreign exchange translation adjustment</b>			<b>0.1</b>		38.7
<b>Cash and cash equivalents at the end of the year</b>			<b>734.2</b>		673.8

#### Cash and cash equivalents consists of:

Cash at bank and in hand		734.8	674.1
Overdrafts	19	(0.6)	(0.3)
<b>Cash and cash equivalents</b>		<b>734.2</b>	<b>673.8</b>
Net debt due within one year	19	(10.0)	(10.0)
Net debt due after one year	20	(280.1)	(290.1)
<b>Net funds</b>		<b>444.1</b>	<b>373.7</b>

## JCB Service

### Consolidated statement of changes in equity for the year ended 31 December 2017

	Called-up share capital	Share premium	Other reserves	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
<b>Balance as at 1 January 2016</b>	-	31.7	39.1	844.1	914.9
Profit for the financial year	-	-	-	102.6	102.6
Other comprehensive expense for the year	-	-	(21.3)	(67.0)	(88.3)
<b>Total comprehensive (expense)/income for the year</b>	-	-	(21.3)	35.6	14.3
<b>Balance as at 31 December 2016</b>	-	31.7	17.8	879.7	929.2
Profit for the financial year	-	-	-	132.2	132.2
Other comprehensive income for the year	-	-	29.0	19.7	48.7
<b>Total comprehensive income for the year</b>	-	-	29.0	151.9	180.9
Dividends paid	-	-	-	(60.0)	(60.0)
<b>Balance as at 31 December 2017</b>	-	31.7	46.8	971.6	1,050.1

### Company statement of changes in equity for the year ended 31 December 2017

	Called-up share capital	Share premium	Other reserves	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
<b>Balance as at 1 January 2016</b>	-	31.7	-	535.9	567.6
Profit for the financial year	-	-	-	133.0	133.0
Other comprehensive expense for the year	-	-	(9.1)	-	(9.1)
<b>Total comprehensive (expense)/income for the year</b>	-	-	(9.1)	133.0	123.9
<b>Balance as at 31 December 2016</b>	-	31.7	(9.1)	668.9	691.5
Profit for the financial year	-	-	-	43.4	43.4
Other comprehensive income for the year	-	-	10.5	-	10.5
<b>Total comprehensive income for the year</b>	-	-	10.5	43.4	53.9
Dividends paid	-	-	-	(60.0)	(60.0)
<b>Balance as at 31 December 2017</b>	-	31.7	1.4	652.3	685.4

# **JCB Service**

## **Notes to the financial statements for the year ended 31 December 2017**

### **1. General information**

The principal activity of JCB 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 JCB 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 JCB 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 2017 totalled £43.4 million (2016: £133.0 million).

### **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, on the going concern basis, 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) Basis of consolidation and accounting for other investments**

##### *Subsidiaries*

The consolidated financial statements incorporate the financial statements of JCB Service and entities controlled by JCB Service (its subsidiaries) made up to the reporting date each year. Control is achieved where JCB 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.

# **JCB Service**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **(a) Basis of consolidation and accounting for other investments (continued)**

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.

#### **(b) Foreign currency**

The group's functional and 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.

#### **(c) Turnover recognition**

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods 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 upon shipment. 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.



# **JCB Service**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **(d) 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.

#### **(e) 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.

#### **(f) 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 assets 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.

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 3. Summary of significant accounting policies (continued)

#### (g) 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	6.67 - 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.

#### (h) 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.

#### (i) 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 warranty contracts is included within the warranty provision and released over the life of the policy net of the costs incurred.

Where the costs associated with 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) Research and development

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

#### (k) Repairs and renewals

All repairs and renewals are expensed as incurred.

#### (l) 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.

## **JCB Service**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **3. Summary of significant accounting policies (continued)**

##### **(m) Government grants**

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 all performance conditions are not met 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.

##### **(n) Investments**

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

##### **(o) 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.

##### **(p) 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.

##### **(q) 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.

##### **(r) 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.

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 3. Summary of significant accounting policies (continued)

#### (r) Financial instruments (continued)

##### *(i) Financial assets (continued)*

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 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.

# **JCB Service**

## **Notes to the financial statements for the year ended 31 December 2017 (continued)**

### **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 makes 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 life 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 14 for the carrying amount of the tangible assets, and note 3 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 13 for the carrying amount of intangible assets.

##### **(b) Stock provisioning**

The group designs, manufactures and sells construction equipment and is subject to market demands and regulatory requirements. As a result it is necessary to consider the recoverability of the cost of stock and 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 16 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 considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

##### **(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 22 for the disclosures relating to the defined benefit pension scheme.

##### **(e) Warranty provision**

The group designs, manufactures and sells construction equipment with certain products having a warranty period associated with their sale. As a result the group considers the future cost of warranty claims and 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 and known performance issues. See note 21 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.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 4. Critical accounting judgements and estimation uncertainty (continued)

##### (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.

#### 5. Turnover

An analysis of turnover by geographical market is given below:

	2017 £m	2016 £m
United Kingdom	644.2	510.5
Europe	936.5	707.3
The Americas	609.0	464.1
India	784.8	628.2
Middle East	158.8	138.0
Australia and the Far East	126.9	84.7
Africa	93.7	88.1
	<b>3,353.9</b>	<b>2,620.9</b>

The JCB 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 and agricultural machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

#### 6. Segmental reporting

The group competes internationally with many excavating, earthmoving, materials handling and agricultural machine manufacturers. Because detailed information relating to this competitor activity is not published, the directors consider the disclosure of segmental information relating to the group results and net assets to be seriously prejudicial to the interests of the group and this disclosure has therefore not been provided.

#### 7. Operating profit

Operating profit is stated after charging/(crediting):

	2017 £m	2016 £m
Government grants	(3.7)	(0.2)
Research and development expenditure	81.2	69.1
Hire of machinery and equipment	7.6	6.6
Foreign currency loss/(gain)	48.9	(36.0)
Profit on sale of fixed assets	(0.6)	(0.3)
Depreciation of tangible fixed assets	39.0	39.5
Amortisation of goodwill	14.3	14.2

Government grants recognised in the financial statements relate to technology project match funding and regional growth funding.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 7. Operating profit (continued)

##### 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:

	2017 £m	2016 £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	0.8	0.8
Audit-related assurance services	-	-
Tax related services	3.2	2.0
Other	0.4	0.1
	4.7	3.2

#### 8. 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	
	2017 Number	2016 Number	2017 Number	2016 Number
Directors	6	8	6	8
Administration and service	3,437	3,181	177	185
Production	6,935	6,144	236	197
	10,378	9,333	419	390

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Wages and salaries	374.7	343.2	28.1	24.7
Social security	47.3	35.1	2.4	2.0
Defined benefit pension cost (note 22)	21.9	15.2	-	-
Defined contribution pension cost	10.5	8.5	1.6	1.3
	454.4	402.0	32.1	28.0

##### 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:

	2017 £m	2016 £m
Salaries and other benefits	11.8	8.9

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 9. Directors' emoluments

The directors' emoluments for the year were as follows:

	2017 £m	2016 £m
Aggregate emoluments	4.8	2.7

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

	2017 Number	2016 Number
Defined benefit	1	1

The aggregate emoluments of the highest paid director (excluding pension contributions) were £2.5 million (2016: £2.0 million).

#### 10. Interest payable and similar expenses

	2017 £m	2016 £m
Discounting charges	13.1	7.9
Interest payable on bank loans and overdrafts	10.8	12.8
	23.9	20.7



# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 11. Tax on profit on ordinary activities

Analysis of charge in the year	2017 £m	2016 £m
<b>Current tax</b>		
UK corporation tax charge	9.5	12.2
Adjustments in respect of prior year	(3.9)	0.2
UK corporation tax	5.6	12.4
Overseas tax charge	43.3	59.0
Adjustments in respect of prior year	(0.1)	0.2
Foreign tax	43.2	59.2
Share of associate's tax	1.1	1.2
Total current tax	49.9	72.8
<b>Deferred tax</b>		
Origination and reversal of timing differences	12.1	(9.0)
Adjustments in respect of prior year	(2.1)	(2.4)
Deferred tax rate change	10.9	0.7
Total deferred tax	20.9	(10.7)
Total tax on profit	70.8	62.1

#### Factors affecting current year tax charge

The tax assessed on the profit for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The differences are explained below:	2017 £m	2016 £m
Profit before taxation	203.0	164.7
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	39.1	32.9
Expenses not deductible for tax purposes	9.7	6.8
Other permanent differences	(7.0)	(4.3)
Adjustment in respect of foreign tax rates on trading income	25.1	18.2
Other foreign taxes payable	-	19.0
Adjustments in respect of prior year	(6.1)	(2.0)
Deferred tax rate change	10.9	0.7
Recognition of previously unrecognised tax losses	-	(8.9)
Unrecognised temporary differences	(0.9)	(0.3)
Total tax for the year	70.8	62.1

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a charge of £15.1 million (2016: £30.4 million credit).

#### 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.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 12. Dividend

	2017 £m	2016 £m
Equity dividends £1,231.78 per share (2016: £nil per share)	60.0	-

#### 13. Intangible fixed assets

Group	Goodwill £m
<b>Cost</b>	
<b>As at 1 January and 31 December 2017</b>	<b>286.5</b>
<b>Accumulated amortisation</b>	
As at 1 January 2017	131.7
Charge for the year	14.3
<b>As at 31 December 2017</b>	<b>146.0</b>
<b>Net book value at 31 December 2017</b>	<b>140.5</b>
Net book value at 31 December 2016	154.8

Goodwill on the acquisitions of JCB India Limited, JCB Vibromax GmbH, JCB Landpower Ltd and JCB Compact Products Limited has been capitalised and is being amortised over a period equating to the directors' estimate of useful economic life which is not more than 20 years.

Amortisation is charged in administrative expenses.

The Company has no intangible assets (2016: £nil).

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14. 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
<b>Cost</b>						
As at 1 January 2017	365.8	330.8	211.5	12.5	42.4	963.0
Additions	5.1	21.3	4.1	2.1	6.8	39.4
Disposals	(4.0)	(4.1)	(3.3)	(3.3)	-	(14.7)
Reclassifications	5.3	1.7	2.2	-	(9.2)	-
Exchange adjustments	(8.1)	(5.2)	(1.6)	(0.1)	(0.2)	(15.2)
<b>As at 31 December 2017</b>	<b>364.1</b>	<b>344.5</b>	<b>212.9</b>	<b>11.2</b>	<b>39.8</b>	<b>972.5</b>
<b>Accumulated depreciation</b>						
As at 1 January 2017	89.4	239.3	130.5	7.5	-	466.7
Charge for the year	6.5	19.3	11.7	1.5	-	39.0
Disposals	(0.3)	(3.3)	(3.2)	(3.0)	-	(9.8)
Reclassifications	(1.6)	0.9	(0.4)	1.1	-	-
Exchange adjustments	(1.3)	(3.7)	(1.4)	(0.1)	-	(6.5)
<b>As at 31 December 2017</b>	<b>92.7</b>	<b>252.5</b>	<b>137.2</b>	<b>7.0</b>	<b>-</b>	<b>489.4</b>
<b>Net book value at 31 December 2017</b>	<b>271.4</b>	<b>92.0</b>	<b>75.7</b>	<b>4.2</b>	<b>39.8</b>	<b>483.1</b>
Net book value at 31 December 2016	276.4	91.5	81.0	5.0	42.4	496.3

Included within land and buildings is freehold land of £20.8 million (2016: £21.3 million) that is not depreciated.

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

#### Capital commitments

	2017 £m	2016 £m
Contracted but not provided for in the financial statements	17.7	8.2

Company	Land & Buildings	Plant & Machinery	Fixtures, Fittings & Equipment	Assets in Course of construction	Total
	£m	£m	£m	£m	£m
<b>Cost</b>					
As at 1 January 2017	20.6	3.5	12.2	-	36.3
Additions	-	-	0.3	0.3	0.6
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>As at 31 December 2017</b>	<b>20.6</b>	<b>3.5</b>	<b>12.5</b>	<b>0.3</b>	<b>36.9</b>
<b>Depreciation</b>					
As at 1 January 2017	5.0	3.0	7.0	-	15.0
Charge for the year	0.3	0.1	0.6	-	1.0
<b>As at 31 December 2017</b>	<b>5.3</b>	<b>3.1</b>	<b>7.6</b>	<b>-</b>	<b>16.0</b>
<b>Net book value at 31 December 2017</b>	<b>15.3</b>	<b>0.4</b>	<b>4.9</b>	<b>0.3</b>	<b>20.9</b>
Net book value at 31 December 2016	15.6	0.5	5.2	-	21.3

Included within land and buildings is freehold land of £2.0 million (2016: £2.0 million) that is not depreciated.

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

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 15. Fixed asset investments

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>Loans to group undertakings</b>				
As at 1 January	-	-	33.6	19.1
Additions	-	-	0.3	10.6
Repayment	-	-	-	-
Foreign exchange	-	-	1.4	3.9
<b>At 31 December</b>	-	-	<b>35.3</b>	<b>33.6</b>
<b>Shares in group undertakings</b>				
As at 1 January	-	-	324.0	324.0
Additions	-	-	20.3	-
<b>At 31 December</b>	-	-	<b>344.3</b>	<b>324.0</b>
<b>Total fixed asset investments</b>	-	-	<b>379.6</b>	<b>357.6</b>

#### Loans to group undertakings

Loans to group undertakings represent loans to JCB Vibromax GmbH.

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
<b>Investment in associates</b>				
At 1 January	4.8	6.2	-	-
Share of profit after taxation	4.7	4.8	-	-
Dividend	(5.0)	(6.2)	-	-
<b>At 31 December</b>	<b>4.5</b>	<b>4.8</b>	<b>-</b>	<b>-</b>

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

	2017	2016
	£m	£m
Turnover	23.5	21.1
Profit after taxation	4.7	4.8
Total assets	215.1	206.6
Total liabilities	(208.1)	(199.7)

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 15. Fixed asset investments (continued)

#### Group undertakings

At 31 December 2017 the company directly, and through its investments in other companies, 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
J C Bamford Investments	100%	Investment trading	UK
JCB Benelux Ltd	100%	Intermediate holding company	UK
JCB Earthmovers Limited	100%	Equipment manufacturer and sales	UK
JCB Cab Systems Limited	100%	Equipment manufacturer and sales	UK
JCB Insurance Services Limited	100%	Insurance broker	UK
JCB Materials Handling Limited	100%	Non trading	UK
JCB Sales Limited	100%	Sales and marketing	UK
JCB Transmissions	100%	Transmissions manufacturer and sales	UK
JCB Power Systems Limited	100%	Engine manufacturer and sales	UK
JCB Landpower Ltd	100%	Equipment manufacturer and sales	UK
JCB Heavy Products Ltd	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 Accounting and Systems Ltd	100%	Property investment company	UK
JCB Parts Ltd	100%	Non-trading	UK
JCB Remarketing Limited	100%	Equipment sales	UK
JCB Defence Products Limited	100%	Non-trading	UK
JCB Compact Products Limited	100%	Equipment manufacturer and sales	UK
JCB North America Limited	100%	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 Belgium NV	100%	Equipment distributor	Belgium
JCB do Brasil Ltda	100%	Equipment manufacturer	Brazil
JCB Excavators Limited	100%	Non-trading	Canada
JCB Europe SARL	100%	Equipment marketing	France
JCB Ile de France SNC	99.9%	Equipment dealer	France
JCB SAS	99.9%	Services provider	France
Lyomat SAS	99.9%	Equipment dealer	France
JCB Deutschland GmbH	99%	Services provider	Germany
JCB Vertrieb and Service GmbH	99%	Equipment distributor	Germany
JCB Vibromax GmbH	100%	Equipment manufacturer	Germany
JCB India Limited	100%	Equipment manufacturer	India
JCB SpA	100%	Equipment distributor	Italy
JC Bamford NV	100%	Equipment distributor	Netherlands
JCB Russia LLC	100%	Equipment distributor	Russia
JCB Maquinaria SA	100%	Services provider	Spain
JCB Sales Asia Pacific Pte Ltd	100%	Equipment distributor	Singapore
JCB US Holdings Inc	98%	Holding company	USA
JCB Inc	98%	Equipment distributor	USA
JCB Manufacturing Inc	98%	Equipment manufacturer	USA
JCB Finance Company	98%	Finance company	USA
North Georgia Construction LLC	98%	Non-trading	USA
JCB Kenya Services Limited	100%	Services provider	Kenya
JCB Australia Pty Ltd	100%	Services provider	Australia

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.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 16. Stock

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Raw materials	178.1	136.7	3.8	3.7
Work in progress	33.1	25.1	-	-
Finished goods	131.8	131.3	-	-
Parts for resale	80.4	71.8	63.9	57.1
	423.4	364.9	67.7	60.8

During the year group stock recognised as an expense in cost of sales was £2,051.5 million (2016: £1,593.4 million). The company recognised £199.0 million (2016: £163.4 million) of stock as an expense in cost of sales.

Group stocks are stated after provisions of £42.1 million (2016: £36.9 million). Company stocks are stated after provisions of £14.8 million (2016: £13.6 million).

#### 17. Debtors

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Trade debtors	151.2	122.1	13.9	14.4
Bills receivable	2.1	1.9	-	-
Amounts owed by fellow subsidiaries	0.3	0.2	-	-
Amounts owed by subsidiary undertakings	-	-	434.4	322.0
Amounts owed by related parties outside the JCB Service group	245.5	186.2	10.6	4.7
Corporation tax recoverable	17.6	9.7	2.0	0.1
Deferred tax	88.0	127.4	-	1.5
Other taxation and social security	73.3	62.0	1.0	0.3
Other debtors	71.9	45.1	0.1	0.1
Prepayments and accrued income	31.1	19.2	0.5	0.3
Derivative financial assets	10.1	-	1.6	-
	691.1	573.8	464.1	343.4

Trade debtors are stated net of amounts discounted without recourse of £233.2 million (2016: £274.5 million) (group), and £12.7 million (2016: £11.0 million) (company).

A bad debt provision of £5.5 million (2016: £4.6 million) has been recognised against group trade debtors, and £nil (2016: £nil) against company trade debtors. No other category of debtors is deemed to be impaired.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 17. Debtors (continued)

##### Deferred tax

The movement in the deferred tax asset/(liability) during the year was:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
As at 1 January	72.0	45.5	1.5	(0.6)
Deferred tax (charge)/credit	(18.4)	17.0	(2.0)	2.1
Deferred tax rate change adjustment	(10.9)	(0.7)	-	-
Currency adjustments	(3.4)	10.2	-	-
<b>As at 31 December</b>	<b>39.3</b>	<b>72.0</b>	<b>(0.5)</b>	<b>1.5</b>

The deferred tax asset/(liability) consists of the tax effect of timing differences in respect of:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Excess of taxation allowances over depreciation on fixed assets	(4.1)	(3.0)	(0.2)	(0.4)
Tax losses available	22.6	37.8	-	-
Other timing differences	20.8	37.2	(0.3)	1.9
	<b>39.3</b>	<b>72.0</b>	<b>(0.5)</b>	<b>1.5</b>

The company's £0.5 million deferred tax liability is presented within provisions, see note 21.

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
As at 1 January	55.4	30.7
Deferred tax credit/(charge) in profit and loss account	2.5	(1.4)
Deferred tax credited/(charged) to the statement of other comprehensive income:		
- On remeasurement (gain)/loss	(9.2)	28.5
- Change in tax rate	-	(2.4)
<b>As at 31 December</b>	<b>48.7</b>	<b>55.4</b>

The net reversal of group deferred tax expected to occur next year is £2.7 million (2016: £1.8 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 £42.3 million (2016: £62.6 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 £29.7 million (2016: £51.0 million) begin to expire in 2020 (2016: 2020). Other losses will be carried forward indefinitely.

There is no deferred tax liability on unremitted foreign earnings as the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 18. Current asset investments

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Shares in group undertakings	-	-	-	0.1
Other investments	11.8	8.7	-	-
	11.8	8.7	-	0.1

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. Fair value gains on other investments of £3.5 million (2016: £0.3 million) have been recognised in the profit and loss during the year.

#### 19. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Bank loans and overdrafts	10.6	10.3	9.3	9.2
Trade creditors	324.3	262.7	17.1	14.0
Derivative financial instruments	0.9	25.3	-	11.0
Amounts owed to fellow subsidiaries	1.6	-	1.6	-
Amounts owed to subsidiary undertakings	-	6.7	36.6	33.8
Amounts owed to other related parties outside JCB Service group	91.7	90.1	2.3	2.1
Corporation tax	3.2	21.4	6.3	5.6
Other taxation and social security	19.3	16.8	0.5	0.5
Pension costs	9.8	7.8	-	-
Other creditors	138.1	89.7	0.2	0.9
Accruals and deferred income	189.7	134.8	20.3	17.2
	789.2	665.6	94.2	94.3

Included in bank loans and overdrafts is the current portion, £10.0 million (2016: £10.0 million), of an unsecured loan which was due to be repaid in quarterly instalments of £2.5 million and a final bullet payment of £75.0 million on 1 May 2020. An interest rate of between 0.65% and 0.70% above LIBOR (2016: between 0.65% and 0.70% above LIBOR) is payable on the loan. Subsequent to the year-end, this loan was repaid in full.

The bank overdrafts are repayable on demand.



## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 20. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£m	£m	£m	£m
Bank loans	85.0	95.0	85.0	95.0
Senior loan notes	195.1	195.1	195.1	195.1
Other creditors	1.2	1.3	-	-
Derivative financial instruments	-	0.3	-	-
Deferred income – government grants	-	3.6	-	-
	<b>281.3</b>	<b>295.3</b>	<b>280.1</b>	<b>290.1</b>

Included in bank loans is an unsecured loan of £85.0 million (2016: £95.0 million), which was due to be repaid in quarterly instalments of £2.5 million and a final bullet payment of £75.0 million on 1 May 2020. An interest rate of between 0.65% and 0.70% above LIBOR (2016: between 0.65% and 0.70% above LIBOR) is payable on the loan. Subsequent to the year-end, this loan was repaid in full.

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 £0.4m (2016: £0.4m).

The Government grants recognised in the prior year were accounted for using the performance model. All outstanding performance conditions attached to the grant have been met and the £3.6m deferred income has been recognised in the profit and loss account.

#### 21. Provisions for liabilities

##### Group – warranty provision

	2017	2016
	£m	£m
As at 1 January	64.4	53.8
Charged to the profit and loss account	88.1	69.3
Supplier recoveries credited to the profit and loss account	(27.8)	(12.5)
Amounts utilised during the year	(42.2)	(46.2)
<b>As at 31 December</b>	<b>82.5</b>	<b>64.4</b>

##### Company

	2017	2017	2017	2016	2016	2016
	Deferred	Warranty	Total	Deferred	Warranty	Total
	tax	provision		tax	provision	
	£m	£m	£m	£m	£m	£m
As at 1 January	-	20.3	20.3	0.6	14.7	15.3
Charged/(credited) to the profit and loss account	0.5	37.5	38.0	(0.6)	26.7	26.1
Amounts utilised during the year	-	(24.4)	(24.4)	-	(21.1)	(21.1)
<b>As at 31 December</b>	<b>0.5</b>	<b>33.4</b>	<b>33.9</b>	<b>-</b>	<b>20.3</b>	<b>20.3</b>

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 17) is an amount totalling £19.0 million (2016: £10.7 million) (group), and £nil (2016: £nil) (company) representing amounts recoverable from suppliers.

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 22. Post employment benefits

<b>Pension schemes</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Defined benefit schemes with net assets (net of deferred tax) comprise:		
UK	-	-
Defined benefit schemes with net liabilities (net of deferred tax) comprise:		
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
UK	225.6	257.2
Overseas	11.8	10.8
	<b>237.4</b>	<b>268.0</b>

#### 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 2016 and 1 January 2017 respectively (both updated to 31 December 2017) by Mercer, a qualified independent actuary.

#### Overseas

Five schemes provide pensions under defined benefit arrangements. A valuation of these schemes has been prepared by an independent, qualified actuary, as at 31 December 2017 using a methodology consistent with FRS 102.

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Present value of funded obligations	(1,045.3)	(1,061.4)
Fair value of plan assets	794.7	760.2
	(250.6)	(301.2)
Effect of surplus cap	(35.5)	(21.7)
Pension scheme deficit	(286.1)	(322.9)

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Current service cost & scheme administration costs	24.4	17.6
Interest cost	29.2	31.9
Interest income on plan assets	(21.0)	(27.2)
Net pension cost recognised in the profit and loss account	32.6	22.3

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

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Remeasurement (gains)/losses immediately recognised	(67.1)	169.8
Effect of surplus cap	13.2	-
Total pension (gains)/losses recognised in the statement of other comprehensive income	(53.9)	169.8

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 22. Post employment benefits (continued)

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

	2017 £m	2016 £m
Benefit obligations at beginning of year	1,061.4	811.7
Current service cost	23.8	16.8
Interest cost	29.2	31.9
Plan participants' contributions	4.7	4.9
Remeasurement (gains)/losses	(40.3)	217.7
Benefits paid	(33.3)	(22.5)
Insurance premiums for risk benefits	(0.9)	(0.9)
Exchange differences	0.7	1.8
Benefit obligations at end of year	1,045.3	1,061.4

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

	2017 £m	2016 £m
Fair value of plan assets at beginning of year	760.2	681.5
Interest income on plan assets	21.0	27.2
Remeasurement gains/(losses)	26.8	51.4
Employer contributions	16.0	18.5
Member contributions	4.7	4.9
Benefits paid	(33.3)	(22.5)
Insurance premiums for risk benefits	(0.9)	(0.9)
Exchange differences	0.2	0.1
Fair value of plan assets at end of year	794.7	760.2

Changes in the pension scheme deficit are as follows:

	2017 £m	2016 £m
Pension scheme deficit at beginning of year	322.9	147.6
Current service cost	23.8	16.8
Interest cost	29.2	31.9
Interest income on plan assets	(21.0)	(27.2)
Remeasurement (gains)/losses	(67.1)	165.5
Employer contributions	(16.0)	(18.5)
Exchange differences	0.5	2.5
Effect of surplus cap	13.8	4.3
Pension scheme deficit at end of year	286.1	322.9

# JCB Service

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 22. Post employment benefits (continued)

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

	J C Bamford Lifeplan		Senior Directors		Overseas	
	2017	2016	2017	2016	2017	2016
Equities	53.3%	53.5%	7.0%	9.9%	-	-
Property	7.2%	7.1%	-	-	-	-
Corporate Bonds	21.9%	21.7%	-	-	-	-
Gilts	17.3%	17.5%	92.8%	89.9%	-	-
Hedge Funds	-	-	-	-	-	-
Other	0.3%	0.2%	0.2%	0.2%	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	
	2017	2016	2017	2016	2017	2016
Discount rate	2.70%	2.80%	2.70%	2.80%	2.15%	1.90%
Rate of salary increase	3.10%	3.20%	3.10%	3.00%	2.75%	2.75%
Rate of price inflation (RPI)	3.10%	3.20%	3.10%	3.20%	1.75%	1.75%
Rate of pension increases	2.90%	3.10%	2.90%	3.10%	1.75%	1.75%

Weighted average assumptions used to determine net pension cost:

	J C Bamford Lifeplan		Senior Directors		Overseas	
	2017	2016	2017	2016	2017	2016
Discount rate	2.80%	4.00%	2.80%	4.00%	2.15%	2.60%
Rate of salary increase	3.20%	3.00%	3.00%	3.00%	2.75%	2.75%
Rate of price inflation	3.20%	3.00%	3.20%	3.00%	1.75%	1.75%
Rate of pension increases	3.10%	3.00%	3.10%	3.00%	1.75%	1.75%

Assumed life expectations on retirement at age 65:

	J C Bamford Lifeplan		Senior Directors		Overseas	
	2017	2016	2017	2016	2017	2016
Male member age 65 (current life expectancy)	22.1	22.4	26.5	26.4	19.1-24.7	19.0-24.6
Male member aged 45 (life expectancy at age 65)	23.9	24.9	29.1	29.0	22.4-27.5	22.3-27.3
Female member age 65 (current life expectancy)	24.4	24.5	27.9	27.7	23.2-28.2	23.1-28.0
Female member aged 45 (life expectancy at age 65)	26.3	27.2	30.6	30.5	26.3-31.1	26.2-31.0

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 2017 the group paid contributions of £14.1 million (2016: £14.3 million) to the J C Bamford Lifeplan scheme. Over 2018 the group expects to contribute at least 12.5% of members' pensionable salary plus at least £6.6 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.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 22. Post employment benefits (continued)

Over the year to 31 December 2017 the group also paid contributions of £1.8 million (2016: £4.2 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 £220.5 million at 31 December 2017 (2016: £265.2 million).

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

#### 23. Financial Instruments

Group	Note	2017 £m	2017 £m	2016 £m	2016 £m
Financial assets at fair value through profit or loss					
- Derivative financial instruments	17	10.1		-	
- Current asset investments	18	11.8		8.7	
			21.9		8.7
Financial assets constituting debt instruments measured at amortised cost					
- Trade debtors and bills receivable	17	153.3		124.0	
- Amounts owed by fellow subsidiaries	17	0.3		0.2	
- Amounts owed by related parties outside the JCB Service group	17	245.5		186.2	
- Other debtors	17	71.9		45.1	
			471.0		355.5
Financial assets constituting equity instruments measured at cost less impairment			4.5		4.8
Financial liabilities measured at fair value through profit and loss					
- Derivative financial instruments	19		0.9		25.6
Financial liabilities measured at amortised cost					
- Bank loans and overdrafts	19/20	95.6		105.3	
- Senior loan notes	20	195.1		195.1	
- Trade creditors	19	324.3		262.7	
- Amounts owed to fellow subsidiaries	19	1.6		-	
- Amounts owed to non-consolidated subsidiary undertakings	19	-		6.7	
- Amounts owed to other related parties outside JCB Service group	19	91.7		90.1	
- Other creditors and accruals	19/20	318.2		219.6	
			1,026.5		879.5

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 23. Financial Instruments (continued)

Company	Note	2017 £m	2017 £m	2016 £m	2016 £m
Financial assets at fair value through profit or loss					
- Derivative financial instruments	17		1.6		-
Financial assets constituting debt instruments measured at amortised cost					
- Trade debtors	17	13.9		14.4	
- Amounts owed by subsidiary undertakings	17	434.4		322.0	
- Amounts owed by related parties outside the group	17	10.6		4.7	
- Other debtors	17	0.1		0.1	
			459.0		341.2
Financial assets constituting equity instruments measured at cost less impairment					
			-		-
Financial liabilities measured at fair value through profit and loss					
- Derivative financial instruments	19		-		11.0
Financial liabilities measured at amortised cost					
- Bank loans and overdrafts	19/20	94.3		104.2	
- Senior loan notes	20	195.1		195.1	
- Trade creditors	19	17.1		14.0	
- Amounts owed to fellow subsidiaries	19	1.6		-	
- Amounts owed to subsidiary undertakings	19	36.6		33.8	
- Amounts owed to other related parties outside JCB Service group	19	2.3		2.1	
- Other creditors and accruals	19	20.5		18.1	
			367.5		367.3

Details of conditions pertaining to debt are disclosed in notes 19 and 20 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 2017, the outstanding contracts all mature within 9 months of the year end (2016: 16 months). The Group is committed to sell \$144.3 million, AU\$9.0 million and €104.7 million (2016: \$286.3 million, AU\$30.0 million and €130.0 million).

The company is committed to sell \$24.0 million and €20.0 million (2016: \$96.0 million and €20.0 million).

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, GBP:AUD and GBP:EUR. The net fair value of the forward-foreign currency contracts is an asset of £9.2 million (2016: £25.6 million liability) for the group and £1.6 million (2016: £11.0 million liability) for the company.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 24. Share capital

Group and Company	2017 £	2016 £
<b>Allotted, called up and fully paid up</b>		
48,710 Ordinary shares of £1 each (2016: 48,710 Ordinary shares of £1 each)	<b>48,710</b>	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.

#### 25. 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.

#### 26. Reconciliation of operating profit to operating cash flows

	2017 £m	2016 £m
Operating profit	<b>212.5</b>	167.6
Depreciation	<b>39.0</b>	39.5
Amortisation of goodwill	<b>14.3</b>	14.2
Profit on disposal of fixed assets	<b>(0.6)</b>	-
Difference between pension charge and cash contributions	<b>16.6</b>	3.8
Increase in fair value of current asset investments	<b>(3.5)</b>	-
Increase in stock	<b>(70.1)</b>	(40.3)
Increase in debtors	<b>(157.0)</b>	(69.7)
Increase in creditors (including warranty provision)	<b>200.8</b>	146.8
Currency translation differences	<b>(1.2)</b>	(42.2)
<b>Net cash inflow from operating activities</b>	<b>250.8</b>	219.7

#### 27. 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 2017 was £48.7 million (2016: £38.7million).

##### 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 2017 was £43.2 million (2016: £30.4 million).

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 28. 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 Lord Bamford 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 £107.7 million (2016: £98.4 million). The net amount owed to JCB Research by the group at 31 December 2017 was £5.6 million (2016: £26.4 million).

JCB Research is party to a jointly and severally liable pooled banking facility. At 31 December 2017 the group had an exposure of £196.3 million (2016: £180.8 million).

The group has sold machines and parts to JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £4.5 million (2016: £4.0 million). The net amount owed to the group at 31 December 2017 by JCB Construction Equipment (Shanghai) Limited was £26.1 million (2016: £16.2 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 £111.1 million (2016: £76.5 million). The net amount owed to JCB Hong Kong Limited at 31 December 2017 was £5.5 million (2016: £6.5 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 of £7.8 million (2016: £0.8 million) and purchases of £1.3 million (2016: £nil). The group paid £2.8 million (2016: £2.9 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 2017 was £44.3 million (2016: £35.2 million).

The group has loaned funds to and provided administrative services to JCB Access Limited (previously JCB Special Products Ltd), a company in which Lord Bamford is the sole shareholder. The total value of these transactions was expenditure of £4.0 million (2016: £1.9 million). The net amount owed to the group by JCB Access Limited at 31 December 2017 was £8.1 million (2016: £2.5 million).

The group has also provided administrative services to Thrip Enterprises LLP, a company in which Lady Bamford OBE is a partner. The total value of these services was £0.4 million (2016: £0.4 million) and the amount owed to the Group at 31 December 2017 was £0.7 million (2016: £0.4 million).

The group has incurred finance charges of £2.2 million (2016: £1.9 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 net amount owed to the group at 31 December 2017 by JCB Finance SAS was £nil (2016: £nil).

The group has incurred rental and other charges of £2.0 million (2016: £1.5 million) from Bamford Property Limited, B Uttoxeter Property Holdings Limited and B Cheadle Property Holdings Limited, companies ultimately controlled by Bamford family interests. The group recharged expenditure of £16.1 million (2016: £17.7 million) incurred on behalf of these companies during the year. The net amount owed to the group by these companies was £85.7 million at 31 December 2017 (2016: £74.8 million).

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



## **JCB Service**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **28. Related party transactions (continued)**

##### **Other related parties – company**

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 (2016: £0.2 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited by the company at 31 December 2017 was £1.3 million (2016: £1.5 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 £4.6 million (2016: £3.3 million). The net amount owed to JCB Hong Kong Limited at 31 December 2017 was £1.0 million (2016: £0.6 million).

The company has sold parts 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 £0.5 million (2016: £0.1 million). The net amount owed to the company by the BHoldings Limited group of companies at 31 December 2017 was £3.9 million (2016: £3.3 million).

The company has loaned funds to JCB Access Limited (previously JCB Special Products Ltd), a company in which Lord Bamford is the sole shareholder. The net amount owed to the company by JCB Access Limited at 31 December 2017 was £6.7 million (2016: £1.4 million).

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

#### **29. Ultimate controlling party**

The company is a subsidiary of Transmissions and Engineering Services Netherlands BV, a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV consolidates the financial statements of JCB 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 in Rotterdam.

## JCB Service

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 30. Registered Addresses

The registered addresses of the subsidiary 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 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 Street West, Suite 2000, Toronto, Canada M5H 2B6
JCB Europe SARL	3, Rue du Vignolle, 95200, 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	Graf-Zeppelin-Str.16, 51147 Köln, Germany
JCB Vibromax GmbH	Graf-Zeppelin-Str.16, 51147 Köln, Germany
JCB India Limited	B-1/I-1, 2 <sup>nd</sup> 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	2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA
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