

JUNGHEINRICH UK LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Company Number: 00757192

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JUNGHEINRICH UK LIMITED

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JUNGHEINRICH UK LIMITED

DIRECTORS AND ADVISERS

Directors

A Rosenkranz (appointed 26 January 2018)
L Snijders (appointed 26 January 2018)
J Langerak (appointed 26 January 2018)
R Siluk-Giusiano (resigned 26 January 2018)
J Kiel (resigned 26 January 2018)
K Gloystein (resigned 26 January 2018)
J-M Lorenz (resigned 26 January 2018)
S Brehm (resigned 26 January 2018)

Secretary and Registered Office

Sherbourne House
Sherbourne Drive
Tilbrook
Milton Keynes
MK7 8HX

Statutory Auditor

KMPG LLP
Statutory Auditor
Altius House
1 North Fourth Street
MK9 1NE

Bankers

Barclays Bank PLC
Ashton House
497 Silbury Boulevard
Milton Keynes
MK9 2LD

Commerzbank
Ness 7 – 9
20457 Hamburg
Germany

JUNGHEINRICH UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Principal activity

The principal activity of the company continues to be the sale, hire and servicing of mechanical handling equipment.

Review of business

During the year, the market in which the company operates has remained stable with only minor change in market volume during the year. The company has increased market share to 17.3 % for the year (2016: 16.8%). (Market data source: WITS). The number of truck sales increased 3% to 6,374 units (2016: 6,199 units) underpinned by encouraging growth in the electric truck and warehousing segments. Turnover increased by 11.7% to £209,234k (2016: £187,354k). The company has seen particularly strong growth stemming from sales of specialised warehousing equipment and racking, and also sales of used equipment, which has been strongly supported by healthy base of existing customers.

Key performance indicators

The company has reported an operating profit of £6,467k (2016: £8,900k), representing a return on sales of 3.1% (2016: 4.8%), and profit before tax amounted to £6,408k (2016: £9,311k). A key driver behind the reduced profitability has been the deterioration in the GBP:EUR exchange rates available on the market compared to the rates secured for 2016, the cost of which has largely been absorbed by the company. Exchange rate risk is further discussed within the Directors' Report.

The company retains a strong balance sheet position underpinned by a focus on working capital management. Net assets excluding the defined benefit pension scheme have increase to £37,329k (2016: £33,676k).

The company's defined benefit pension scheme (Jungheinrich UK Limited Retirement Benefit Scheme) reported a balance sheet surplus on an IAS 19 basis of £3,611k as at 31 December 2017 (2016: £1,269k), although the company continues to pay additional contributions to reduce the underlying funding deficit as calculated on a technical provisions basis. The latest triennial valuation was dated 6 April 2016, which showed a deficit of £17.7m calculated on a technical provisions basis, and a funding level of 91%. This shows a positive development against the previous triennial valuation dated 6 April 2013 which showed a deficit of £23.5m and funding level of 86%. During the year a new recovery plan was agreed with the Trustees of the scheme with the expectation of eliminating the funding shortfall by 31 March 2029.

JUNGHEINRICH UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

(continued)

Future developments

The financial year of 2017 introduced a new level of uncertainty in the financial market, with a significant weakening of the British Pound against the Euro impacting on the result of the company. Political and economic pressure arising from on-going BREXIT negotiations and post-BREXIT changes to legislation, particularly concerning customs and duties, are likely to have a continued effect on the business in 2018 and the following years. The company is, however, in a financially and commercially strong position to maintain its competitiveness and remains confident it can further improve its presence in the market.

Ethical code of conduct and Bribery Act

The directors operate an ethical code of conduct and an Anti-Bribery policy that they take very seriously and expect all their employees, suppliers and customers to abide by and respect in all matters of business.

Labour

The directors are committed to ensuring that what is good for business is good for society. The company's approach to general labour rights is driven by its ethical code of conduct. During 2017 the company worked to evaluate its business and supply chain against the principles now embodied in the Modern Slavery Act 2015 to eliminate slavery in all its forms. In April 2017 the directors approved the company's Modern Slavery Statement for the 2016 financial year which applies across its business and supply chain relationships and sets out the company's commitment to the abolition of slavery in all its forms.

The Strategic Report was approved by the board of directors and signed on its behalf by:



A Rosenkranz
Director

25 May 2018

JUNGHEINRICH UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Directors

The directors of the company, including any changes during the year and up to the date of signing these accounts are listed on page 1.

Appointment of auditor

KPMG LLP have expressed their willingness to continue in office as auditor. KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the newsletters and distribution of the annual report.

The company is still highly dedicated to its Apprentice scheme and the intake, in particular in the after sales area, grows year on year.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

JUNGHEINRICH UK LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

Going concern

Taking into account changes in trading performance, the company's forecast and projections enable the directors to be confident that the company can operate within its bank facilities currently in place. Jungheinrich AG, the ultimate parent company, has allocated group banking facilities for Jungheinrich UK, which the directors believe would provide sufficient support in the absence of any other bank facilities.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Financial risk management objectives and policies

The company's activities give rise to a number of financial risks including price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. Financial risk is considered to have increased in light of the Brexit referendum result in June 2016. Further details on these risks and the company's approach to risk management are included below.

Price Risk

The company is exposed to price risk as a result of its operations. The company sources most supplies from other group companies at agreed prices. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

The company purchases the majority of its supplies from fellow group subsidiaries at prices denominated in Euros. As such, the company is exposed to foreign exchange risk on outstanding Euro balances as well as the risk of longer term exchange rate trends impacting the cost of goods purchased, and therefore profitability. The company seeks to mitigate foreign exchange risk by entering into forward exchange rate contracts with third party banks covering future forecast purchases.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual company is subject to a limit which is assessed by the credit control function with reference to external credit management agencies.

Liquidity risk

The company's planning, forecasting and working capital management processes are designed to mitigate liquidity risk arising from ongoing trade and any planned growth. When required, the company has access to external loans secured by other companies within the Jungheinrich group. The liquidity of the company is discussed further in the going concern consideration in note 1 to the financial statements.

JUNGHEINRICH UK LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017
(CONTINUED)

Financial risk management objectives and policies (continued)

Creditor payment policy

Our policy is to pay suppliers within their agreed terms. All suppliers are informed of our policy on the establishment of a new supplier account.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: £nil).

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



A Rosenkranz
Director

25 May 2018

JUNGHEINRICH UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUNGHEINRICH UK LIMITED

Opinion

We have audited the financial statements of Jungheinrich UK Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies on page 14.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and in the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUNGHEINRICH UK LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford
United Kingdom
WD17 1DE
25 May 2018

JUNGHEINRICH UK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 Restated* £'000
Turnover	3	209,234	187,354
Cost of sales		(135,796)	(121,592)
Gross profit		73,438	65,762
Staff costs	5	(40,476)	(39,090)
Depreciation and amounts written off tangible and intangible fixed assets	10, 11	(5,721)	(4,404)
Other operating expenses		(18,368)	(15,916)
(Losses)/gains on derivative financial instruments	20	(2,406)	2,548
Operating profit		6,467	8,900
Interest receivable and similar income	6	79	541
Interest payable and similar charges	7	(138)	(130)
Profit on ordinary activities before taxation	8	6,408	9,311
Tax on profit on ordinary activities	9	(1,299)	(1,905)
Profit for the financial year		5,109	7,406

*The prior year results include a reclassification of pension scheme administrative costs from interest to other operating expenses of £646k

All results are derived from continuing operations.

The notes on pages 14 to 41 form a part of these financial statements.

JUNGHEINRICH UK LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Profit for the year		5,109	7,406
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Transfer in of pension liability from fellow group subsidiary		-	(8,865)
Deferred tax credit on transfer in of pension liability	9	-	1,507
Actuarial gains/(losses) on defined benefit pension scheme	19	2,045	(8,087)
Deferred tax on actuarial gains and losses	9	(341)	1,556
Items that may be reclassified subsequently to profit and loss:			
Gains from the measurement of financial instruments with a hedging relationship	20	424	8,615
Amounts transferred to profit and loss account	20	(1,409)	(11,247)
Deferred tax attributable to measurement of financial instruments with a hedging relationship	9	167	494
Other comprehensive income / (expense)		886	(16,027)
Total comprehensive income / (expense) for the year attributable to shareholders		5,995	(8,621)

The notes on pages 14 to 41 form a part of these financial statements.

JUNGHEINRICH UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	10	28	54
Tangible assets	11	24,458	23,468
Total fixed assets		24,486	23,522
Current assets			
Deferred tax assets	18	2,411	2,740
Stocks	12	35,896	34,985
Debtors: amounts falling due within one year	13	49,059	46,420
Derivative financial assets designated for hedging	20	119	735
Derivative financial assets held for trading	20	471	2,588
Cash and cash equivalents		6,095	18,007
Total current assets		94,051	105,475
Creditors: amounts falling due within one year	14	(49,546)	(64,613)
Derivative financial liabilities held for trading	20	(302)	(13)
Derivative financial liabilities designated for hedging	20	(851)	(482)
Total current liabilities		(50,699)	(65,108)
Net current assets		43,352	40,367
Total assets less current liabilities		67,838	63,889
Creditors: amounts falling due after more than one year	15	(22,917)	(23,915)
Deferred tax liabilities	18	(614)	(220)
Provisions for liabilities	17	(6,978)	(6,078)
Net assets excluding pension asset		37,329	33,676
Net pension asset	19	3,611	1,269
Net assets including pension asset		40,940	34,945
Capital and reserves			
Called up share capital	21	34,000	34,000
Capital contribution		-	-
Hedging reserve		(609)	209
Profit and loss account		7,549	736
		40,940	34,945

The notes on pages 14 to 41 form a part of these financial statements.

The financial statements of the company (registration number 00757192) were approved by the board of directors and authorised for issue on 25 May 2018. They were signed on its behalf by:



A Rosenkranz
Director

JUNGHEINRICH UK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2017

	Called up share capital £'000	Capital contribution £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
Balance at 1 January 2016	63,972	5,240	(27,993)	2,347	43,566
Profit for the year	-	-	7,406	-	7,406
Other comprehensive loss for the year	-	-	(13,889)	(2,138)	(16,027)
Total comprehensive loss for the year	-	-	(6,483)	(2,138)	(8,621)
Capital reduction	(29,972)	(5,240)	35,212	-	-
Balance at 31 December 2016	34,000	-	736	209	34,945
Balance at 1 January 2017	34,000	-	736	209	34,945
Profit for the year	-	-	5,109	-	5,109
Other comprehensive income for the year	-	-	1,704	(818)	886
Total comprehensive income for the year	-	-	6,813	(818)	5,995
Balance at 31 December 2017	34,000	-	7,549	(609)	40,940

The profit and loss account reserve represents accumulated retained earnings.

The capital contribution reserve represents assets received by the company in exchange for a share in the total equity interest.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information

Jungheinrich UK Limited is a private company incorporated, domiciled and registered in the United Kingdom. The registered number is 00757192 and the address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the company has prepared these accounts in accordance with FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Jungheinrich Aktiengesellschaft, which are available to the public and can be obtained as set out in note 24.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policy for financial instruments below, together with the measurement of the defined benefit pension scheme assets and liabilities as explained in the accounting policy for pensions disclosed below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Going concern

Taking into account changes in trading performance, the company's forecast and projections enable the directors to be confident that the company can operate within its bank facilities currently in place. Jungheinrich AG, the ultimate parent company, has allocated group banking facilities for Jungheinrich UK, which the directors believe would provide sufficient support in the absence of any other bank facilities.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Intangible and tangible fixed assets

Purchased intangible assets with a finite useful life are carried at acquisition cost less accumulated amortisation and impairments. Amortisation is recognised on a straight line basis over their useful economic life.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

Tangible assets are carried at historical acquisition cost less accumulated depreciation and impairments. Land is not depreciated.

Depreciation is provided on all tangible assets other than freehold land. Trucks on hire are depreciated using the reducing balance method. All other fixed assets are depreciated at rates calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned.

The principal lives used for this purpose are:

Intangible assets:

Software	3 – 8 years
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Tangible assets:

Freehold buildings	25 years
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Leasehold improvements	Over the remaining life of the lease
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Fittings to service vans	4 - 7 years
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Fixtures, fittings, tools and equipment	3 -10 years
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Plant and machinery	5 - 8 years
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Trucks on hire to customers	6 -9 years
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Impairment of intangible and tangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated.

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is calculated as the estimated discounted future cash flows. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in profit or loss.

If there is an indication that an impairment loss recognised in previous years may no longer exist or may have decreased, the recoverable amount of the asset is estimated and the previously recognised impairment is reversed if appropriate.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Leased assets

Finance leases

Finance leases are leases which confer rights and obligations similar to those attached to owned assets. Certain trucks for hire are held under finance leases and hire purchase agreements. A sum equivalent to the cost of these assets is capitalised and is depreciated over the shorter of the lease term or the estimated economic lives of the assets. A corresponding amount is recorded as a creditor and is reduced by the capital element of the annual lease payments. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of interest on the outstanding balance.

Operating leases

Certain land and buildings and plant and machinery are held under operating leases, for which rentals are charged on a straight line basis over the lease term. The company also enters into operating lease transactions whereby it acts as lessors in respect of trucks. Rentals are charged on a straight line basis over the lease term.

Residual interests on leased trucks

A significant portion of the company's UK sales are through related party leasing companies whereby the company sells equipment to the leasing company which in turn enters into a lease agreement with the customer. Some leases contain a commitment from the company to repurchase the equipment from the customer at the end of the lease at a price specified in the lease agreement.

Consequently, the company has a liability to repurchase equipment at the end of the lease term which is matched by an equivalent asset, being the repurchased equipment, subject to the extent that the agreed repurchase price of the equipment does not exceed its realisable value at the time of repurchase.

Accordingly, the equipment to be repurchased is recorded as stock on the balance sheet at the lower of cost and net realisable value and the corresponding liability is recorded within creditors payable either within or after one year, according to the timing of the commitments.

The assets are not depreciated until repurchase.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials and direct labour. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Turnover

Turnover is stated net of VAT and trade discounts.

Turnover on sale of goods is recognised when the rights and obligations associated with the goods have been transferred to the customer.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. For fixed term service contracts, turnover is recognised on a straight-line basis over the term of the contract. Turnover on short-term services rendered is recognised upon job completion.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

The company also operates certain installation contracts that may be partially completed at the balance sheet date. Turnover and profit on these contracts is recognised by reference to the stage of completion of the contract. Foreseeable losses are recognised immediately and in full in the profit and loss account.

Rental income received under operating leases are recognised as described in the company's accounting policy for leased assets above.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax arising in the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currency transactions

Foreign currency transactions completed during the year are recorded at the rate of exchange when the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except where they arise on certain financial instruments entered into for the purpose of hedging foreign currency risk (see below accounting policy on financial instruments).

Pensions

For the company's defined contribution scheme, the amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable for the year on an accruals basis.

The company operates a defined benefit pension scheme, the Jungheinrich UK Limited Retirement Scheme (the scheme). The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of interest payable and similar charges. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Pensions (continued)

The scheme is funded, with the assets held separately from those of the company, in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. The pension costs have been calculated under IAS 19 and assumptions used in the calculations are disclosed in note 19.

Finance costs

As explained below, where financial liabilities are measured at amortised cost, the associated finance costs are recognised in profit or loss using the effective interest method. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The company did not have any financial assets that were classified as fair value through profit or loss' (FVTPL) 'held-to-maturity' investments or 'available-for-sale' in either the current year or the preceding year.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

De-recognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

De-recognition of financial assets (continued)

On de-recognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The company did not have any financial liabilities that were classified as FVTPL in either the current year or the preceding year.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

De-recognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 20.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 20 sets out details of the fair values of the derivative instruments used for hedging purposes.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Warranties

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant goods, at the directors' best estimate of the expenditure required to settle the company's obligation.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The valuation of the company's liability in respect of the defined benefit pension scheme is a source of key estimation uncertainty. Further information around the sensitivity of the valuation to key assumptions is included within note 19.

Additionally, the measurement of provisions recognised in relation to loss making full services contracts is a source of key estimation uncertainty and further information is included within note 17.

3 TURNOVER AND REVENUE

The company's turnover and revenue is analysed as follows:

	2017 £'000	2016 £'000
Sale of goods	104,815	92,260
Rendering of services	64,861	60,644
Revenue from construction contracts	13,229	9,626
Equipment rental income	26,329	24,824
Turnover	209,234	187,354
Interest receivable and similar income (note 6)	2	11
Total revenue	209,236	187,365

Contributions to turnover by geographical area (by destination) were as follows:

	2017 £'000	2016 £'000
United Kingdom	202,892	183,285
Other European countries	6,313	4,044
Rest of the World	29	25
	209,234	187,354

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

3 TURNOVER AND REVENUE (CONTINUED)

Turnover includes £84,180k (2016: £63,858k) derived from other group undertakings. All turnover originates from the company's principal activity.

4 DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Emoluments	412	343
Company contributions to pension scheme	42	17
Fees paid to third party	-	122
	454	482

Two directors are members of a money purchase pension scheme. No directors have accrued retirement benefits under a defined benefit scheme (2016: £nil).

The emoluments of the highest paid director totalled £287k, which includes £21k pension contributions (2016: £270k, including £13k pension contributions).

There were no payments made to three of the directors who were in post during the year. The remuneration of these three directors was borne by another group company. None of this remuneration is considered to be in respect of this company and their time spent is negligible.

5 EMPLOYEE INFORMATION

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

	2017 Number	2016 Number
By activity		
Service	548	573
Administration and sales	233	236
	781	809

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	33,118	32,621
Social security costs	3,789	3,524
Pension costs	3,569	2,945
	40,476	39,090

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£'000	Restated* £'000
Interest on deposits with other group companies	2	10
Bank interest	-	1
Net return on pension scheme (note 19)	77	530
	79	541

*The prior year results include a reclassification of pension scheme administrative costs from interest to other operating expenses of £646k

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£'000	£'000
Bank interest payable	-	1
Interest payable to other group companies	138	129
	138	130

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Amortisation of intangible fixed assets	42	38
Depreciation and amounts written off tangible fixed assets:		
Owned	3,535	2,297
Held under finance leases	2,144	2,069
Loss on disposal of tangible fixed assets	78	4
Cost of stock recognised as an expense	124,374	118,448
Write down of stock	2,688	2,612
Auditor's remuneration for:		
Audit of the company's annual accounts*	62	62
Foreign currency gains	(484)	(10,809)
Operating lease payments:		
Land and buildings	1,098	1,103
Motor vehicles	2,397	2,368
Trucks for hire	10,146	9,636
Other assets	-	44
Rentals receivable in respect of operating leases	(26,329)	(24,824)
Staff costs (note 5)	40,476	39,090

*The company changed auditor in the year such that the prior year comparative does not relate to the current auditor.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

9 TAXATION

	2017	2016
	£'000	£'000
Current tax - UK corporation tax	750	816
Deferred tax charge:		
- Origination and reversal of timing differences	581	1,162
- Adjustment in respect of previous periods	29	(193)
- Effect of corporation tax rate change	(61)	120
Total deferred tax	549	1,089
Total tax charge on profit for the year	1,299	1,905

Tax charge reconciliation :	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	6,408	9,311
Current tax at 19.25% (2016: 20.00%)	1,233	1,862
<i>Effects of:</i>		
Adjustments in respect of prior years	(34)	(197)
Expenses not deductible for tax purposes	161	154
Other short term timing differences	-	(34)
Impact of rate difference between deferred and current tax	(61)	120
Total tax charge for the year	1,299	1,905

In addition to the above amounts charged to the profit and loss account, deferred tax has been (charged)/credited to the statement of other comprehensive income as follows:

	2017	2016
	£'000	£'000
Deferred tax credit on transfer in of pension liability	-	1,507
Deferred tax on actuarial gains and losses	(341)	1,556
Deferred tax attributable to measurement of financial instruments with a hedging relationship	167	494
	(174)	3,557

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

9 TAXATION (CONTINUED)

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and further reduction to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax at 31 December 2017 has been calculated based on these rates.

10 INTANGIBLE FIXED ASSETS

Computer software	2017	2016
	£'000	£'000
Cost		
At 1 January	124	795
Additions	16	41
Disposals	-	(712)
At 31 December	140	124
Depreciation		
At 1 January	70	744
Charge	42	38
Disposals	-	(712)
At 31 December	112	70
Net book value at 31 December	28	54

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leasehold improvements	Fittings to service vans	Fixtures, fittings, tools and equipment	Trucks on hire to customers	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2017	6,000	79	1,106	2,123	28,007	1,112	38,427
Additions	40	126	141	412	11,974	159	12,852
Disposals	-	(22)	(402)	(59)	(7,523)	(2)	(8,008)
At 31 December 2017	6,040	183	845	2,476	32,458	1,269	43,271
Depreciation							
At 1 January 2017	2,547	25	818	1,475	9,078	1,016	14,959
Charge	93	12	29	300	5,196	49	5,679
Disposals	-	(1)	(402)	(59)	(1,363)	-	(1,825)
At 31 December 2017	2,640	36	445	1,716	12,911	1,065	18,813
Net book value at 31 December 2017	3,400	147	400	760	19,547	204	24,458
Net book value At 31 December 2016	3,453	54	288	648	18,929	96	23,468

Trucks on hire above include assets the company holds under finance leases and hire purchase agreements, and leases to customers under operating leases. The net book value of the assets held under finance lease amounts to £6,420k (2016: £10,216k).

12 STOCKS

	2017 £'000	2016 £'000
Finished goods (including parts stock)	16,002	15,939
Residual interest in trucks	19,894	19,046
	35,896	34,985

There is no material difference between book value of stocks and replacement cost.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

13 DEBTORS

	2017 £'000	2016 £'000
Amounts falling due within one year		
Trade debtors	32,538	30,800
Amounts owed by other group undertakings	14,762	10,411
Other debtors	131	84
Prepayments and accrued income	1,628	5,125
	49,059	46,420

14 CREDITORS: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	8,708	10,580
Amounts owed to other group undertakings	17,850	21,536
Value added tax payable	3,670	4,392
Corporation tax payable	1,156	558
Accruals and deferred income	11,622	18,041
Other taxation including social security	1,228	1,005
Obligations under finance leases	1,645	2,786
Liabilities in respect of sale and repurchase transactions	3,667	5,715
	49,546	64,613

Amounts owed to other group companies are due on normal invoice terms.

15 CREDITORS: amounts falling due after more than one year

	2017 £'000	2016 £'000
Obligations payable under finance leases :		
Due between two and five years	4,034	6,201
Due after five years	554	1,288
Liabilities in respect of sale and repurchase transactions:		
Due between two and five years	16,777	16,139
Due after five years	1,552	287
	22,917	23,915

Liabilities in respect of sale and repurchase transactions represent the value of commitments to buy back equipment sold to leasing companies.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

16 OBLIGATIONS UNDER FINANCE LEASES

Finance leases
2017

	Total payments £'000	Present value of total payments £'000
Future minimum payments under finance leases at 31 December are as follows:		
Within one year	1,704	1,704
Between two and five years	4,170	3,890
After five years	561	476
	<u>6,435</u>	<u>6,070</u>
Discounting of future minimum lease payments	(365)	
Present value of lease obligations	<u>6,070</u>	

2016

	Total payments £'000	Present value of total payments £'000
Future minimum payments under finance leases at 31 December are as follows:		
Within one year	2,901	2,901
Between two and five years	6,411	6,007
After five years	1,307	1,127
	<u>10,619</u>	<u>10,035</u>
Discounting of future minimum lease payments	(584)	
Present value of lease obligations	<u>10,035</u>	

Liabilities in respect of finance lease transactions are secured against the underlying assets subject to those arrangements. The average effective borrowing rate for the year was 1.33% (2016: 2.15%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

17 PROVISIONS FOR LIABILITIES

2017	Product warranty £'000	Loss making customer service contracts £'000	Other £'000	Total £'000
At 1 January 2017	1,772	2,475	1,831	6,078
Utilisation of provision	(4,005)	(2,204)	(483)	(6,692)
Release of provisions unutilised	-	-	-	-
Charge for the year	4,465	3,037	90	7,592
At 31 December 2017	2,232	3,308	1,438	6,978

2016	Product warranty £'000	Loss making customer service contracts £'000	Other £'000	Total £'000
At 1 January 2016	1,622	567	1,382	3,571
Reclassified from accruals	-	1,604	478	2,082
Utilisation of provision	(3,394)	(950)	(495)	(4,839)
Release of provisions unutilised	-	-	(135)	(135)
Charge for the year	3,544	1,254	601	5,399
At 31 December 2016	1,772	2,475	1,831	6,078

The warranty provision has been calculated to cover the anticipated future labour and parts costs expected to be incurred in the year for warranty claims on trucks sold in the prior year.

The provision for loss making customer service contracts relates to contracts for the servicing and maintenance of customer trucks where the future contract revenues are exceeded by expected future service and maintenance costs.

The measurement of the provision for loss making customer service contracts is a key source of estimation uncertainty. The amount provided is estimated based on historical experience, however the future costs of servicing and repairing equipment under service contracts may differ from estimates.

Other provisions include provisions for costs relating to rectification work on buildings and leased vehicles and provisions for employees' accrued holiday entitlement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

18 DEFERRED TAXATION

The deferred tax balance comprises the following:

	2017	2016
	Cumulative	Cumulative
	provided	provided
	£'000	£'000
Deferred tax assets:		
Fixed asset timing differences	2,411	2,740
Total deferred tax asset	2,411	2,740
Deferred tax liabilities:		
Short term timing differences	(614)	(220)
Total deferred tax liabilities	(614)	(220)
Net deferred tax balance at 31 December	1,797	2,520

The movements in the deferred tax balance during the year are recognised as follows:

	2017	2016
	£'000	£'000
Net deferred tax asset at 1 January	2,520	52
Charge to profit and loss account for the year	(549)	(1,089)
(Credit)/charge to other comprehensive income	(174)	3,557
Net deferred tax asset at 31 December	1,797	2,520

As at 31 December 2017, deferred tax amounts totalling £66k (2016: £66k) in relation to capital losses carried forward were not recognised on the balance sheet due to uncertainties over the future recoverability of those assets.

19 PENSION AND SIMILAR OBLIGATIONS

The company operates both a defined contribution pension scheme and a defined benefit pension scheme which is closed to new entrants. For the defined contribution scheme, an amount of £1,246k (2016: £1,039k) was charged in the profit and loss account. Contributions of £193k (2016: £nil) were outstanding at the balance sheet date.

The Jungheinrich UK Limited Retirement Benefits Scheme (the scheme) is a funded defined benefit pension scheme. Contributions to the scheme are determined by the Trustees of the scheme, acting on the advice of the qualified Scheme Actuary.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

19 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

The scheme operates under UK trust law and the trust is a separate legal entity from the company.

The triennial valuation of the Scheme as at 6 April 2016 revealed scheme assets of £190.2m and a funding shortfall (Technical Provisions minus value of assets) of £17.7m.

Jungheinrich UK Limited have agreed to pay additional contributions of £700,000 per annum to the scheme from 1 April 2017 for a period of 12 years or until the funding shortfall has been eliminated if sooner.

On 20 June 2016, the company entered into a flexible apportionment arrangement with fellow group company Boss Manufacturing Limited, to transfer a defined benefit pension liability from Boss Manufacturing Limited to Jungheinrich UK Limited at carrying value, for zero consideration. The liability transferred relates to the Jungheinrich UK Limited Retirement Benefits Scheme, of which Jungheinrich UK Limited is the principal employer and Boss Manufacturing was also a participating employer.

The financial effect of this arrangement is to reduce the value of the net pension asset and also the equity of Jungheinrich UK Limited by an amount of £8,865k (comprising assets transferred of £14,033k and liabilities transferred of £22,898k) at the date of transfer. Going forward, Jungheinrich UK Limited will also bear future interest costs associated with this liability.

The most recent actuarial valuation of the scheme has been updated to 31 December 2017 by a qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The principal assumptions used by the actuary were:

	2017	2016
	%	%
Expected rate of salary increases	3.20	3.25
Future pension increases	3.00	3.10
Discount rate	2.55	2.65
Inflation	3.20	3.25
	2017	2016
<u>Assumed life expectancy on retirement at age 65:</u>	<u>years</u>	<u>years</u>
Current pensioners:		
Males	22.1	22.2
Females	24.0	24.2
Future pensioners:		
Males	23.5	23.4
Females	25.5	25.6

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

19 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

These assumptions are based on historical experience and other factors that are considered relevant, however actual results may differ from these estimates. If different assumptions were used, this could have a material effect on the reported obligation. The sensitivities of the results to these assumptions are as follows:

Change in key assumption	Liabilities increase by £000
Decrease discount rate by 0.5%	2,323
Increase discount rate by 0.5%	304
Increase expected rate of compensation 0.5%	3,310
Increase life expectancy by 1 year	5,440

*and associated deferred revaluation and pension increase assumptions

The expected long-term rate of return and fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, are set out in the tables below.

At the balance sheet date the scheme assets were analysed as follows:

Market values of assets at 31 December	2017 £'000	2016 £'000
Equities	40,787	35,632
Government bonds	160,307	165,624
Corporate bonds	18,958	18,036
Cash and net current assets	345	660
Total market value of scheme assets	220,397	219,952
Present value of scheme liabilities	(216,786)	(218,683)
Net pension asset	3,611	1,269

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

19 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Movements in the present value of defined benefit obligations were as follows:

	2017	2016
	£'000	£'000
Balance at 1 January	218,683	147,995
Current service cost	2,323	1,906
Interest Cost	5,633	6,131
Experience (gains)/losses:		
Changes in demographic assumptions	373	-
Changes in financial assumptions	2,099	43,769
Experience losses on liabilities	(715)	2,094
Employee contributions	612	683
Benefits paid	(12,222)	(6,793)
Liabilities transferred in from fellow group subsidiary	-	22,898
Balance at 31 December	216,786	218,683

Movements in the fair value of scheme assets were as follows:

	2017	2016
	£'000	£'000
Balance at 1 January	219,952	164,744
Interest income	5,710	6,661
Return on scheme assets excluding interest income	3,802	37,776
Scheme administration expenses	(665)	(646)
Employer contributions	3,208	3,494
Employee contributions	612	683
Benefits paid	(12,222)	(6,793)
Assets transferred in from fellow group subsidiary	-	14,033
Balance at 31 December	220,397	219,952

Analysis of the amounts recognised in profit or loss:

	2017	2016
	£'000	£'000
Current service cost	2,323	1,906
Net return on pension scheme	(77)	(530)
Scheme administration costs	665	646
Total gains for the year in profit and loss	2,911	2,022

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

19 PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Analysis of the amounts recognised as other comprehensive income:

	2017 £'000	2016 £'000
Return on scheme assets excluding interest income	3,802	37,776
Gains on liabilities due to changes in demographic assumptions	(373)	-
Losses due to changes in financial assumptions	(2,099)	(43,769)
Experience losses on liabilities	715	(2,094)
Net defined benefit liability transferred in from fellow group subsidiary	-	(8,865)
Total gains/(losses) for the year in other comprehensive income	2,045	(16,952)

20 DERIVATIVE FINANCIAL INSTRUMENTS

Cash flow hedges

The company enters into forward foreign exchange contracts to manage its exposure to foreign exchange rate risk which arises on the purchase of trucks and equipment, predominantly from Germany, which are payable in Euros. Forward foreign exchange contracts are measured at fair value as assets or liabilities.

It is the policy of the company to enter into forward foreign exchange contracts to cover 75% of the exposure resulting from specific planned foreign currency payments.

Cash flow hedges (continued)

Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Gains of £424k (2016: gains of £8,615k) were recognised in other comprehensive income and gains of £1,409k (2016: gains of £11,247k) crystallised and were transferred to the profit and loss account in the year. There was no material ineffectiveness of hedging measures during the year.

Categories of financial instruments at fair value

	Fair value 2017 £'000	Fair value 2016 £'000
Financial assets/(liabilities) at fair value:		
Financial assets held for trading	471	2,588
Financial assets with a hedging relationship	119	735
Financial liabilities held for trading	(302)	(13)
Financial liabilities with a hedging relationship	(851)	(482)
	(563)	2,828

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The above financial assets and liabilities comprise forward exchange contracts which were outstanding at the balance sheet date, as follows:

	Nominal value €'000	Nominal value £'000	Average contract rate
2017			
Purchase Euro currency	118,807	106,606	1.11444
2016			
Purchase Euro currency	116,352	97,258	1.19633

All of the forward exchange contracts outstanding at the balance sheet date are expected to affect profit and loss in the following financial year. Of the €118,807k (2016: €116,352k) nominal value outstanding at year end, €105,577k (2016: €103,271k) will mature in the following financial year and €13,230k (2016: 13,081k) matures within 2 years.

Changes in value of financial instruments at fair value

Profit for the year has been arrived at after (charging)/crediting the following:

	2017 £'000	2016 £'000
Financial instruments at fair value:		
Changes in fair value arising on derivatives held for trading	(2,406)	2,548
		<u>21</u>
	2017 £'000	2016 £'000
Allotted, called up and fully paid		
(2016: 34,000,000) ordinary shares of £1 each	34,000	34,000
	<u>34,000</u>	<u>34,000</u>

JUNGHEINRICH UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2017 (CONTINUED)

22 OPERATING LEASE COMMITMENTS

The company leases certain land and buildings, motor vehicles and office equipment on operating leases, and has the following non-cancellable future commitments:

	2017		2016	
	Land and Buildings	Motor vehicles	Land and Buildings	Motor vehicles
	£'000	£'000	£'000	£'000
Expiring within one year	519	1,743	559	2,030
Expiring between two and five years inclusive	393	2,418	904	3,694
	912	4,161	1,463	5,724

23 OTHER COMMITMENTS AND GUARANTEES

The company continues to provide a guarantee against the liabilities of Jungheinrich Lift Truck Finance Limited, a fellow subsidiary undertaking of Jungheinrich UK Holdings Limited.

24 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The largest and smallest group of which Jungheinrich UK Limited is a member for which group financial statements are drawn up is that headed by Jungheinrich AG, which is controlled by the Jungheinrich family and is a company incorporated in Germany. The consolidated financial statements of this group are available to the public and may be obtained from Friedrich-Ebert-Damm 129 22047 Hamburg, Germany.

The company's immediate parent company is Jungheinrich UK Holdings Limited, a company registered in England and Wales.

In preparing these financial statements, the company has taken advantage of the provisions of FRS 101 and has not disclosed transactions with the ultimate parent company, Jungheinrich AG or other group undertakings. However, most purchases of stocks and fixed asset trucks are made from group companies.