JCB Sales Limited

Directors' Report and Financial Statements

for the year ended 31 December 2015

Registered number 00792807

JCB Sales Limited

Contents

JCB Sales Limited

Directors and advisors

Directors
J C E Bamford
T J Burnhope
G A Macdonald
G W Robinson

Company secretary
S E R Ovens

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors
Slaughter & May
1 Bunhill Row
London
EC1Y 8YY

Bankers

Barclays Bank plc	HSBC Bank plc	Citibank NA
PO Box 3333	4th Floor	Canada Square
One Snowhill	120 Edmund Street	Canary Wharf
Snow Hill Queensway	Birmingham	London
Birmingham	B3 2QZ	E14 5LB
B3 2WN		

Registered office
Lakeside Works
Rocester
Uttoxeter
Staffs
ST14 5JP

Registered number
00792807

JCB Sales Limited

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Principal activities
The principal activity of JCB Sales Limited is the selling and marketing of products manufactured by the JCB Service group as an agent, on which it earns commission, or as principal. The company also operates the sales ledger in respect of machine sales for most UK-based JCB Service group and non-group companies.

Review of business and future developments
The difficult market conditions referred to in the 2014 report continued throughout 2015. The global construction equipment market was down 14.2% compared to 2014 (Source: ISTAT). The BRIC economies were challenging throughout 2015 with Brazil down 43%, Russia down 62% and China down 45%. The only highlight within the BRIC economies was India which grew by 3%. There were encouraging levels of recovery in the developed economies; but growth in these economies slowed in the year. The company reported turnover of £115.5m from £109.8m in 2014 but delivering this turnover in a highly competitive market led to an operating loss of £11.5m from £8.2m in 2014. As a result of this trading environment the company has net liabilities of £0.5m at the year end (2014: net assets of £9.7m).

Results in the early part of 2016 are in line with expectations, though market conditions have not eased. The global construction market is expected to grow slightly in 2016. However, the rate of growth of individual markets will vary considerably, dependent upon local economic and geopolitical conditions. The company remains confident about its longer-term prospects.

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

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

Credit risk
JCB Sales Limited's principal financial assets are bank balances, trade, group and other receivables. The credit risk is primarily attributable to its trade receivables 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 Sales Limited has no significant concentration of external credit risk, with exposure spread over a number of counterparties.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, JCB Sales Limited uses a mixture of short term facilities and invoice discounting. Adequate facilities are available to support the company's business for at least 12 months beyond the date of this report.

Exchange rate risk
The exchange rate risk is mitigated by the JCB Service group's hedging arrangements. The group hedges exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof is invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts.

JCB Sales Limited

Strategic report for the year ended 31 December 2015 (continued)

Key performance indicators (KPIs)
JCB Sales Limited uses a range of financial and non-financial indicators to monitor performance. The key performance indicators are: revenue trends, profit trends and cash generation.

Approved on behalf of the board

G A Macdonald
Director

24 JUNE 2016

JCB Sales Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Future developments
Details of anticipated future developments in the company's business have been provided in the strategic report; see page 2 for further information.

Dividends
The directors do not propose the payment of a dividend (2014: £nil).

Statutory Records
The company is incorporated in England and its company registration number is 00792807.

Directors
The directors who held office during the year and up to the date of signing the financial statements are given below:

J C E Bamford
T J Burnhope
G A Macdonald
G W Robinson

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.

Employees
The directors acknowledge the need to encourage employee involvement in the improvement of the company'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 company's 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 company 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 company.

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

JCB Sales Limited

Directors' report for the year ended 31 December 2015 (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements (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 the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 accounting estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure of information to auditors
Each director of the company, in office at the time of approval of this report, acknowledges that:
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he/she 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 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 accounts before the Company 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.

Approved on behalf of the board

G A Macdonald
Director
24 JUNE 2016

Independent auditors' report to the members of JCB Sales Limited

Report on the financial statements

Our opinion

In our opinion, JCB Sales Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
24th June 2016

JCB Sales Limited

Profit and loss account for the year ended 31 December 2015

	Note	2015	2014
		£'000	£'000
Turnover	5	**115,507**	109,813
Cost of sales		**(79,334)**	(67,628)
Gross profit		**36,173**	42,185
Administrative costs		**(47,694)**	(50,434)
Operating loss	6	**(11,521)**	(8,249)
Interest receivable and similar income	9	**176**	687
Loss on ordinary activities before taxation		**(11,345)**	(7,562)
Tax on loss on ordinary activities	10	**1,130**	(3)
Loss for the financial year		**(10,215)**	(7,565)

All activities are derived from continuing operations.

The company has no other comprehensive income for the year and prior year other than the results above and therefore no separate statement of other comprehensive income has been presented.

JCB Sales Limited

Balance Sheet as at 31 December 2015

	Note	2015	2014
		£'000	£'000
Fixed assets			
Tangible assets	11	**2,172**	2,356
Investments	12	**2,874**	2,874
		5,046	5,230
Current assets			
Stocks	13	**15,571**	13,056
Debtors	14	**298,744**	263,847
Cash at bank and in hand		**60,299**	97,684
		374,614	374,587
Creditors – amounts falling due within one year	15	**(380,160)**	(370,102)
Net current (liabilities)/assets		**(5,546)**	4,485
Net (liabilities)/assets and Total (liabilities)/assets less current liabilities		**(500)**	9,715
Capital and reserves			
Share capital	17	**-**	-
Retained (deficit)/earnings	18	**(500)**	9,715
Total shareholder's (liabilities)/funds		**(500)**	9,715

The financial statements on pages 8 to 23 were approved by the board of directors on 24 JUNE 2016 and were signed on its behalf by:

G A Macdonald
Director

Registered Number: 00792807

JCB Sales Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital	Retained (deficit)/ earnings	Total
	£'000	£'000	£'000
Balance as at 1 January 2014	-	**17,280**	**17,280**
Loss for the year	-	(7,565)	**(7,565)**
Total comprehensive expense for the year	-	**(7,565)**	**(7,565)**
Balance as at 31 December 2014	-	**9,715**	**9,715**
Loss for the year	-	(10,215)	**(10,215)**
Total comprehensive expense for the year	-	**(10,215)**	**(10,215)**
Balance as at 31 December 2015	-	**(500)**	**(500)**

JCB Sales Limited

Notes to the financial statements for the year ended 31 December 2015

1. General information

The principal activity of JCB Sales Limited is the selling and marketing of products manufactured by the JCB Service group as an agent, on which it earns commission, or as principal. The company also operates the sales ledger in respect of machine sales for most UK-based JCB Service group and non-group companies.

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

2. Statement of compliance

The financial statements of JCB Sales Limited 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 is a wholly-owned subsidiary of JCB Service and is included in the consolidated financial statements of JCB Service, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102. The company is also exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the JCB Service group or investees of the JCB Service group. The company has taken advantage of the exemption from disclosing total compensation to key management personnel under paragraph 33.7 of FRS 102. The company has also taken the exemption in respect of certain financial instrument disclosures as allowed by FRS 102 For details of other related party transactions see note 19.

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. The company has adopted FRS 102 for the first time in these financial statements. Details of the transition to FRS 102 are disclosed in note 22.

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 by 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) 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 company, excluding VAT and sales taxes and net of sales incentives.

The company recognises turnover from sales of products upon shipment. Turnover from the provision of services is recognised in the accounting period in which the services are rendered when the outcome of contract can be estimated reliably. Turnover from warranty contracts is spread evenly 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.

3. Summary of significant accounting policies (continued)

(b) Foreign currency

The company's functional and presentational currency is the pound sterling. Therefore these financial statements are presented in pound sterling and have been rounded to the nearest 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.

(c) Employee benefits

Post employment benefits for eligible employees are primarily provided by two defined benefit schemes which are funded by contributions from the company and employees into separately administered trust funds. The company is unable to identify its share of the underlying assets and liabilities of these schemes. As a result, the company accounts for contributions to the schemes as if they were defined contribution schemes by charging them to the profit and loss account as incurred. Full details of the defined benefit scheme can be found in the Financial Statement of JCB Service which are publicly available.

The defined benefit schemes are closed to new entrants and have been replaced by a stakeholder scheme which is a defined contribution scheme. Post employment costs relating to defined contribution arrangements are charged to the profit and loss account as incurred. The assets of the scheme are held in an independently administered fund.

(d) 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 suitable 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.

3. Summary of significant accounting policies (continued)

(e) Tangible assets

The cost of tangible 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:

Plant and machinery	20%
Fixtures, fittings and office equipment	10 - 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.

(f) 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.

(g) Repairs and renewals

All repairs and renewals are expensed as incurred.

(h) 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.

(i) 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.

(j) Investments

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

3. Summary of significant accounting policies (continued)

(l) Dividends

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

(m) Financial instruments

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

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

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

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

If there is 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 company 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.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in interest costs or income as appropriate.

3. Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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

(iii) 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 to liability simultaneously.

4. Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

The company 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 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 11 for the carrying amount of the tangible assets, and note 3 for the useful economic lives for each class of assets.

(b) Stock provisioning

The company 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 13 for the net carrying amount of the stock and associated provision.

(c) Impairment of debtors

The company 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 14 for the net carrying amount of the debtors and associated impairment provision.

(e) Sales incentive provision

Under certain conditions the company 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.

5. Turnover

An analysis of turnover is given below:

	2015 £'000	2014 £'000
Commission earned	**35,949**	41,469
Machine sales	**79,558**	68,344
	115,507	109,813

An analysis of turnover by geographical market is given below:

	2015 £'000	2014 £'000
United Kingdom	**36,837**	42,462
Europe	**67,810**	56,687
North America	**690**	777
Far East	**2,934**	2,096
Middle East	**3,312**	4,697
Latin America	**2,905**	2,436
Africa	**928**	658
India	**91**	-
	115,507	109,813

6. Operating loss

Operating loss is stated after charging:

	2015 £'000	2014 £'000
Hire of machinery and equipment	**2,077**	1,352
Hire of land and buildings	**1,155**	1,110
Services provided by the company's auditor		
Fees payable for the audit	**23**	22
Depreciation of tangible fixed assets	**404**	344

7. Particulars of employees

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

	2015 Number	2014 Number
Directors	**4**	6
Administration	**184**	175
	188	181

The aggregate payroll costs of these persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	**16,432**	18,520
Social security	**1,243**	1,459
Defined contribution pension cost	**1,395**	1,151
	19,070	21,130

8. Directors' emoluments

The directors' emoluments for the year were as follows:

	2015 £'000	2014 £'000
Directors' emoluments	**1,207**	1,105
Defined benefit pension cost	**23**	22
	1,230	1,127

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

	2015 Number	2014 Number
Defined benefit	**2**	2

The aggregate emoluments of the highest paid director (excluding pension contributions) were £636,000 (2014: £629,000).

9. Interest receivable and similar income

	2015 £'000	2014 £'000
Group interest	**176**	687

10. Tax on loss on ordinary activities

Analysis of credit in the year

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on loss for the year	**(2,043)**	(1,278)
Adjustment in respect of prior year	**143**	663
UK corporation tax	**(1,900)**	(615)
Foreign tax	**697**	667
Total current tax	**(1,203)**	52
Deferred tax		
Origination and reversal of timing differences	**66**	(203)
Adjustments in respect of prior year	**7**	154
Total deferred tax	**73**	(49)
Total tax on loss on ordinary activities	**(1,130)**	3

10. Tax on loss on ordinary activities (continued)

Factors affecting current year tax credit

The tax assessed on the loss on ordinary activities for the year is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.25 % (2014: 21.5%).

The differences are explained below:

	2015 £'000	2014 £'000
Loss on ordinary activities before taxation	**(11,345)**	(7,562)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**(2,297)**	(1,626)
Permanent differences	**1,017**	812
Adjustment in respect of prior year	**150**	817
Total current tax for the year	**(1,130)**	3

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%.

Future tax changes

Changes to the UK corporation tax rates were announced on 8 July 2015. These changes were substantively enacted as part the Finance Bill 2015 on 26 October 2015 and include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. On 16 March 2016 further changes to the UK corporation tax rate were announced including a further reduction in the UK corporation tax rate to 17% from 2020, which supersedes the change enacted on 26 October 2015. However, this further change was not substantively enacted as at 31 December 2015 and has not therefore been reflected in these financial statements.

11. Tangible fixed assets

	Plant & Machinery £'000	Fixtures, Fittings & Office Equipment £'000	Motor Vehicles £'000	Assets under Construction £'000	Total £'000
Cost					
As at 1 January 2015	3,368	2,783	1,336	175	7,662
Additions	152	206	27	-	385
Disposals	-	-	-	(165)	(165)
As at 31 December 2015	**3,520**	**2,989**	**1,363**	**10**	**7,882**
Depreciation					
As at 1 January 2015	2,748	1,237	1,321	-	5,306
Charge for the year	151	236	17	-	404
As at 31 December 2015	**2,899**	**1,473**	**1,338**	**-**	**5,710**
Net book value at 31 December 2015	**621**	**1,516**	**25**	**10**	**2,172**
Net book value at 31 December 2014	620	1,546	15	175	2,356

12. Fixed asset investments

	2015 £'000	2014 £'000
Shares in group company		
As at 1 January 2015 and 31 December 2015	**25**	25
Shares in subsidiary undertakings		
As at 1 January 2015 and 31 December 2015	**2,849**	2,849
Total fixed asset investments	**2,874**	2,874

Group company
The investment in group company represents a 4% holding in JCB SpA, a company incorporated in Italy. The remaining 96% is held by JCB Service.

Subsidiary undertakings
At 31 December 2015 the company holds the following investments in subsidiary undertakings. All equity holdings are in ordinary shares. The Directors consider the value of investments to be supported by the underlying assets.

	Equity held	Principal business	Country of Incorporation
JCB Remarketing Limited	100%	Equipment sales	UK
JCB Defence Products Limited	100%	Non trading	UK
JCB Europe EURL	100%	Equipment marketing	France
JCB do Brasil Ltda	100%	Equipment manufacturer	Brazil
JCB Benelux Limited	100%	Intermediate holding company	UK
JCB Kenya Services Limited	100%	Service provider	Kenya
JCB Russia LLC	100%	Equipment distributor	Russia

Through its holding in JCB Benelux Limited the company also has an interest in:

	Equity held	Principal business	Country of Incorporation
JC Bamford NV	100%	Equipment distributor	The Netherlands
JCB Belgium NV	100%	Equipment distributor	Belgium

13. Stocks and work in progress

	2015 £'000	2014 £'000
Finished goods	**15,571**	13,056

During the year stock recognised as an expense in cost of sales was £38,700,000 (2014: £33,833,000).

Stocks are stated after provisions for impairment of £261,000 (2014: £253,000).

14. Debtors

	2015 £'000	2014 £'000
Trade debtors	**17,240**	21,297
Amounts owed by group undertakings	**151,213**	140,796
Amounts owed by subsidiary undertakings	**69,490**	47,567
Amounts owed by related parties outside the JCB Service group	**55,173**	46,655
Corporation tax recoverable	**1,776**	970
Deferred tax	**302**	375
Other debtors	**1,708**	5,250
Prepayments and accrued income	**1,842**	937
	298,744	263,847

Trade debtors are stated net of amounts discounted without recourse of £147,545,000 (2014: £170,080,000).

An impairment loss of £nil (2014: £nil) was recognised against trade debtors.

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

	2015 £'000	2014 £'000
As at 1 January	**375**	326
Deferred tax (charged)/credited to the profit and loss account	**(73)**	49
As at 31 December	**302**	375

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

	2015 £'000	2014 £'000
Difference between depreciation and capital allowances on fixed assets	**60**	106
Other timing differences	**242**	269
	302	375

The net reversal in deferred tax expected to occur next year is £54,000 relating to the reversal of existing timing differences on tangible fixed assets and other timing differences.

15. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank overdrafts	**130,519**	48,339
Trade creditors	**4,336**	3,882
Amounts owed to group undertakings	**229,790**	291,410
Amounts owed to subsidiary undertakings	**2,848**	3,217
Amounts owed to associated undertakings	**1,251**	-
Amounts owed to other related parties outside JCB Service group	**270**	333
Taxation and social security	**249**	5,005
Other creditors	**4,064**	10,713
Accruals and deferred income	**6,833**	7,203
	380,160	370,102

The bank overdraft is repayable on demand.

16. Pension schemes

The company is a participating employer in two defined benefit schemes: J C Bamford Lifeplan & J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit scheme. These schemes have a combined deficit of £138.9 million (2014: £156.8 million) calculated in accordance with FRS102. Details of these schemes are disclosed in the financial statements of JCB Service.

17. Share capital

	2015	2014
	£	£
Allotted, called up and fully paid up		
100 Ordinary shares of £1 each (2014: 100 Ordinary shares of £1 each)	**100**	100

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.

18. Reserves

Share capital – represents the nominal value of shares that have been issued.

Retained deficit/(earnings) – includes all current and prior period retained profits and losses.

19. Contingent liabilities

The company is part of the JCB Service group cash pooling facility which includes the funds and overdrafts of all trading JCB Service subsidiaries in the United Kingdom for cash management purposes. The facility is jointly and severally liable and contains a cross-guarantee structure.

20. Related party transactions

The company has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A, available to wholly-owned subsidiary companies, whose results are included in the consolidated financial statements that are made publicly available, not to disclose details of transactions with entities that are part of the JCB Service group or investees of the group qualifying as related parties.

The company subcontracts research and development projects to JCB Research, a company in which Lord Bamford is the sole shareholder. The total value of machines and services purchased from JCB Research by the company during the year was £9,000 (2014: £44,000). The net amount due to JCB Research at 31 December 2015 was £266,000 (2014: £329,000).

The company has sold machines and provided certain services to JCB Construction (Shanghai) Limited, a company that is ultimately controlled by Bamford family interests. The total value of these sales during the year was £2,560,000 (2014: £3,830,000) and the total value of the recharges in respect of these services was £534,000 (2014: £471,000). The net amount due from JCB Construction Equipment (Shanghai) Limited at 31 December 2015 was £35,046,000 (2014: £31,569,000).

The company also recharges costs incurred on behalf of the BHoldings Limited Group, a group in which Lady Bamford OBE and her family are shareholders. The net amount due from the BHoldings Limited Group at 31 December 2015 was £20,113,000 (2014: £15,059,000).

The company has also acquired parts from JCB Hong Kong Limited, a company that is ultimately controlled by Bamford family interests. The total value of these purchases was £nil (2014: £23,000). The net amount due from JCB Hong Kong Limited at 31 December 2015 was £10,900 (2014: £23,000).

21. Ultimate controlling party

The company is a wholly-owned subsidiary of JCB Service, an unlimited liability company incorporated in England and Wales. JCB Service is the smallest company to consolidate the results of the company. The largest company to consolidate the accounts of JCB Service is Transmissions and Engineering Services Netherlands BV, a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV is ultimately controlled by Bamford family interests. Financial statements for Transmissions and Engineering Services Netherlands BV can be obtained from the Chamber of Commerce in Rotterdam.

22. Transition to FRS102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Loss for the financial year	2014 £'000
UK GAAP – As previously reported	(7,565)
FRS 102	(7,565)

Total equity	1 January 2014 £'000	31 December 2014 £'000
UK GAAP – As previously reported	17,280	9,715
FRS 102	17,280	9,715

Other Adjustments

The following adjustments have arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items in the financial statements. The main item is:

Statement of changes in equity:
Under previous UK GAAP the company presented a reserves note and a reconciliation of movement in shareholder's funds within the notes to the financial statements. Under FRS102, a primary statement called the Statement of changes in equity is presented that replaces these notes and incorporates movement in share capital, although the share capital note remains within the notes to the financial statements in order to present more qualitative information.