

JCB Sales Limited  
Directors' Report and Financial Statements  
for the year ended 31 December 2016

Registered number 00792807

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# **JCB Sales Limited**

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# **JCB Sales Limited**

## **Directors and advisors**

### **Directors**

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

HSBC Bank plc  
4<sup>th</sup> Floor  
120 Edmund Street  
Birmingham  
B3 2QZ

Citibank NA  
Canada Square  
Canary Wharf  
London  
E14 5LB

### **Registered office**

Lakeside Works  
Rocester  
Uttoxeter  
Staffs  
ST14 5JP

### **Registered number**

00792807

# **JCB Sales Limited**

## **Strategic report for the year ended 31 December 2016**

The directors present their strategic report on the company for the year ended 31 December 2016.

### **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**

In 2016 the global construction equipment market contracted by 1% compared to 2015 (Source: ISTAT). In the BRIC economies market conditions were mixed: Brazil was down 42%, Russia was up 3%, China was up 4% and India was up by 39%. There were encouraging levels of growth in the developed economies; although the UK and Ireland market was down compared to last year. These challenging conditions meant the company turnover has dropped by 11% from £115.5m in 2015 to £102.3m in 2016. The overall result was affected by this fall in turnover with the operating loss increasing to £15.6m from £11.5m in 2015. As a result of this trading environment the company has net liabilities of £19.5m at the year end (2015: £0.5m).

Results in the early part of 2017 are in line with expectations, though market conditions have not eased. The global construction market is expected to grow slightly in 2017. 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 and will continue to invest in new product development throughout 2017 and beyond.

### **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**

As part of its normal operating activities, the company hedges exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof are invoiced in foreign currencies. It is the company's policy to reduce this exposure through the use of forward currency contracts. The aggregate fair value of forward currency contracts outstanding at 31 December 2016 was a liability of £14.6m (2015: £nil)


## **JCB Sales Limited**

### **Strategic report for the year ended 31 December 2016 (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

23 JUNE 2017

## **JCB Sales Limited**

### **Directors' report for the year ended 31 December 2016**

The directors present their report and the audited financial statements for the year ended 31 December 2016.

#### **Future developments**

Details of anticipated future developments in the company's business have been provided in the strategic report; see pages 2 and 3 for further information.

#### **Dividends**

The directors do not propose the payment of a dividend (2015: £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 approving the financial statements are given below:

J C E Bamford                      (resigned 11 November 2016)  
T J Burnhope  
G A Macdonald  
G W Robinson

#### **Going Concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of JCB Service. The directors have received confirmation that JCB Service intends to support the company for at least one year from the date of approval of these financial statements.

#### **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 principal activity, 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 2016 (continued)

#### Statement of directors' responsibilities

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

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

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

The directors 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.

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

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

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

#### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of financial statements before the 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

23 JUNE 2017

# **JCB Sales Limited**

## **Independent auditors' report to the members of JCB Sales Limited**

### **Report on the financial statements**

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#### **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 2016 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 2016;
- the Profit and loss account and statement of other comprehensive income 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.

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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#### **Other matters on which we are required to report by exception**

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##### **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.

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##### **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.



# JCB Sales Limited

## Independent auditors' report to the members of JCB Sales Limited (continued)

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

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#### 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



**Nicholas Boden (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

23 June 2017

## JCB Sales Limited

### Profit and loss account for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	5	<b>102,251</b>	115,507
Cost of sales		(68,491)	(79,334)
<b>Gross profit</b>		<b>33,760</b>	36,173
Administrative expenses		(49,381)	(47,694)
<b>Operating loss</b>	6	<b>(15,621)</b>	(11,521)
Interest receivable and similar income	9	7,143	293
Interest payable and similar expenses	10	(144)	(117)
<b>Loss before taxation</b>		<b>(8,622)</b>	(11,345)
Tax on loss	11	1,794	1,130
<b>Loss for the financial year</b>		<b>(6,828)</b>	(10,215)

All activities are derived from continuing operations.

### Statement of other comprehensive income for the year ended 31 December 2016

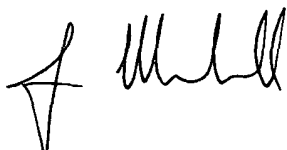
	Note	2016 £'000	2015 £'000
Loss for the financial year		(6,828)	(10,215)
Change in value of hedging instruments		(14,648)	-
Movement on deferred tax relating to hedging adjustments		2,490	-
<b>Other comprehensive expense</b>		<b>(12,158)</b>	-
<b>Total comprehensive expense for the year</b>		<b>(18,986)</b>	(10,215)

# JCB Sales Limited

## Balance Sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	12	2,507	2,172
Investments	13	2,874	2,874
		<b>5,381</b>	<b>5,046</b>
<b>Current assets</b>			
Stocks	14	22,052	15,571
Debtors	15	335,556	298,744
Cash and cash equivalents		60,205	60,299
		<b>417,813</b>	<b>374,614</b>
<b>Creditors – amounts falling due within one year</b>	16	<b>(442,301)</b>	<b>(380,160)</b>
<b>Net current liabilities</b>		<b>(24,488)</b>	<b>(5,546)</b>
<b>Total liabilities less current liabilities</b>		<b>(19,107)</b>	<b>(500)</b>
Creditors: amounts falling due after more than one year	17	(379)	-
<b>Net Liabilities</b>		<b>(19,486)</b>	<b>(500)</b>
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Other reserves	21	(12,158)	-
Accumulated losses	21	(7,328)	(500)
<b>Total shareholder's deficit</b>		<b>(19,486)</b>	<b>(500)</b>

The financial statements on pages 8 to 24 were approved by the board of directors on **23 JUNE 2017** 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 2016

	Called up share capital £'000	Other reserves £'000	Retained earnings / (accumulated losses) £'000	Total shareholder's funds / (deficit) £'000
<b>Balance as at 1 January 2015</b>	-	-	9,715	9,715
Loss for the financial year	-	-	(10,215)	(10,215)
<b>Total comprehensive expense for the year</b>	-	-	(10,215)	(10,215)
<b>Balance as at 31 December 2015</b>	-	-	(500)	(500)
Loss for the financial year	-	-	(6,828)	(6,828)
Other comprehensive expense for the year	-	(12,158)	-	(12,158)
<b>Total comprehensive expense for the year</b>	-	(12,158)	(6,828)	(18,986)
<b>Balance as at 31 December 2016</b>	-	(12,158)	(7,328)	(19,486)

# **JCB Sales Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **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 23.

The financial statements contain information about JCB Sales Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, JCB Service.

### **3. Summary of significant accounting policies**

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

#### **Principal accounting policies**

The financial statements have been prepared under the historical cost convention, on the going concern basis, and in accordance with the Companies Act 2006 as modified 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.

# **JCB Sales Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

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

#### **(b) Sales incentives**

Provisions are made for sales incentives where a legal or constructive obligation exists as at the balance sheet date. Provisions are recognised based on the Directors' best estimate of amounts to be paid, taking into account specific customer agreements, historical trends and market factors in the geographies in which the Company operates. Provisions are included within accruals and deferred income and are offset against revenue in the profit and loss account.

#### **(c) 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.

#### **(d) 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.

#### **(e) Taxation**

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

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

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be 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.

# JCB Sales Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

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

#### (f) 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.

#### (g) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

#### (h) Stocks and work in progress

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

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

#### (i) Repairs and renewals

All repairs and renewals are expensed as incurred.

# **JCB Sales Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

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

#### **(j) 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.

#### **(k) 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.

#### **(l) Investments**

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

The financial statements contain information about JCB Sales Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, JCB Service.

#### **(m) 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.

#### **(n) Financial instruments**

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

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

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

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

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

If there is 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.



# JCB Sales Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

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

#### (n) Financial instruments (continued)

##### *(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.

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.

## **JCB Sales Limited**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **4. Critical accounting judgements and estimation uncertainty**

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

##### **Critical accounting estimates and assumptions**

The company 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 12 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 14 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 15 for the net carrying amount of the debtors and associated impairment provision.

##### **(d) 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.

## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 5. Turnover

An analysis of turnover is given below:

	2016 £'000	2015 £'000
Commission earned	30,994	35,949
Machine sales	71,257	79,558
	<b>102,251</b>	<b>115,507</b>

An analysis of turnover by geographical market is given below:

	2016 £'000	2015 £'000
United Kingdom	33,531	36,837
Europe	57,030	67,810
North America	652	690
Far East	4,892	2,934
Middle East	2,936	3,312
Latin America	2,369	2,905
Africa	841	928
India	-	91
	<b>102,251</b>	<b>115,507</b>

#### 6. Operating loss

Operating loss is stated after charging / (crediting):

	2016 £'000	2015 £'000
Hire of machinery and equipment	1,603	2,077
Hire of land and buildings	875	1,155
Foreign currency losses	882	-
Services provided by the company's auditor		
Fees payable for the audit	23	23
Profit on sale of tangible fixed assets	(12)	-
Depreciation of tangible fixed assets	419	404

#### 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:

	2016 Number	2015 Number
Directors	4	4
Administration	177	184
	<b>181</b>	<b>188</b>

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	15,757	16,432
Social security costs	544	1,243
Other pension costs	1,024	1,395
	<b>17,325</b>	<b>19,070</b>

## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 8. Directors' emoluments

The directors' emoluments for the year were as follows:

	2016 £'000	2015 £'000
Directors' emoluments	931	1,207
Defined benefit pension cost	19	23
	950	1,230

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

	2016 Number	2015 Number
Defined benefit	1	2

The aggregate emoluments of the highest paid director (excluding pension contributions) were £931,000 (2015: £636,000).

#### 9. Interest receivable and similar income

	2016 £'000	2015 £'000
Group interest	-	293
Dividend income	7,143	-
	7,143	293

#### 10. Interest payable and similar expenses

	2016 £'000	2015 £'000
Group interest	144	117

#### 11. Tax on loss

##### Analysis of credit in the year

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax on loss for the year	(2,607)	(2,043)
Adjustments in respect of prior year	348	143
UK corporation tax	(2,259)	(1,900)
Foreign tax	459	697
Total current tax	(1,800)	(1,203)
<b>Deferred tax</b>		
Origination and reversal of timing differences	21	66
Adjustments in respect of prior year	(15)	7
Total deferred tax	6	73
Total tax on loss	(1,794)	(1,130)

## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 11. Tax on loss (continued)

##### Factors affecting current year tax credit

The tax assessed on the loss for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

The differences are explained below:

	2016 £'000	2015 £'000
Loss before taxation	(8,622)	(11,345)
Loss multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1,724)	(2,297)
Permanent differences	(403)	1,017
Adjustment in respect of prior year	333	150
Total current tax for the year	(1,794)	(1,130)

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 year are taxed at an effective rate of 20%.

##### Future tax changes

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. This change has been reflected in these financial statements.

#### 12. Tangible fixed assets

	Plant & Machinery £'000	Fixtures, Fittings & Office Equipment £'000	Motor Vehicles £'000	Assets under Construction £'000	Total £'000
<b>Cost</b>					
As at 1 January 2016	3,520	2,989	1,363	10	7,882
Additions	-	31	-	723	754
Disposals	-	-	(32)	-	(32)
<b>As at 31 December 2016</b>	<b>3,520</b>	<b>3,020</b>	<b>1,331</b>	<b>733</b>	<b>8,604</b>
<b>Accumulated depreciation</b>					
As at 1 January 2016	2,899	1,473	1,338	-	5,710
Charge for the year	163	249	7	-	419
Disposals	-	-	(32)	-	(32)
<b>As at 31 December 2016</b>	<b>3,062</b>	<b>1,722</b>	<b>1,313</b>	<b>-</b>	<b>6,097</b>
<b>Net book value at 31 December 2016</b>	<b>458</b>	<b>1,298</b>	<b>18</b>	<b>733</b>	<b>2,507</b>
Net book value at 31 December 2015	621	1,516	25	10	2,172

Depreciation is charged in administrative expenses.

## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 13. Fixed asset investments

	2016 £'000	2015 £'000
<b>Shares in group company</b>		
As at 1 January 2016 and 31 December 2016	25	25
<b>Shares in subsidiary undertakings</b>		
As at 1 January 2016 and 31 December 2016	2,849	2,849
<b>Total fixed asset investments</b>	<b>2,874</b>	<b>2,874</b>

#### 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 2016 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
JCB Bamford NV	100%	Equipment distributor	The Netherlands
JCB Belgium NV	100%	Equipment distributor	Belgium

The registered addresses of these companies are included in note 25.

#### 14. Stocks and work in progress

	2016 £'000	2015 £'000
Finished goods	22,052	15,571

During the year stock recognised as an expense in cost of sales was £54,427,000 (2015: £55,997,000).

Stocks are stated after provisions for impairment of £171,000 (2015: £261,000).

# JCB Sales Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 15. Debtors

	2016 £'000	2015 £'000
Trade debtors	16,964	17,240
Amounts owed by group undertakings	169,424	151,213
Amounts owed by subsidiary undertakings	77,273	69,490
Amounts owed by related parties outside the JCB Service group	65,449	55,173
Corporation tax recoverable	1,157	1,776
Deferred tax	2,786	302
Other debtors	1,759	1,708
Prepayments and accrued income	744	1,842
	<b>335,556</b>	<b>298,744</b>

Trade debtors are stated net of amounts discounted without recourse of £160,251,000 (2015: £147,545,000). An impairment loss of £nil (2015: £nil) was recognised against trade debtors.

### Deferred tax

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

	2016 £'000	2015 £'000
As at 1 January	302	375
Deferred tax charged to the profit and loss account	(6)	(73)
Deferred tax credited to reserves	2,490	-
As at 31 December	<b>2,786</b>	<b>302</b>

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

	2016 £'000	2015 £'000
Difference between depreciation and capital allowances on fixed assets	33	60
Other timing differences	2,753	242
	<b>2,786</b>	<b>302</b>

The net reversal in deferred tax expected to occur next year is £10,000 relating to the reversal of existing timing differences on fixed assets and other timing differences.

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

	2016 £'000	2015 £'000
Bank loans and overdrafts	72,901	130,519
Trade creditors	3,961	4,336
Derivative financial instruments	14,269	-
Amounts owed to group undertakings	341,650	229,790
Amounts owed to subsidiary undertakings	3,444	2,848
Amounts owed to associated undertakings	-	1,251
Amounts owed to other related parties outside JCB Service group	517	270
Other taxation and social security	233	249
Other creditors	2,987	4,064
Accruals and deferred income	2,339	6,833
	<b>442,301</b>	<b>380,160</b>

The bank loans and overdrafts are repayable on demand.

## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

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

	2016 £'000	2015 £'000
Other creditors	379	-

#### 18. 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 £309.9 million (2015: £138.9 million) calculated in accordance with FRS102. Details of these schemes are disclosed in the financial statements of JCB Service.

#### 19. Financial instruments

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Financial assets at fair value through profit or loss			-		-
Financial assets constituting debt instruments measured at amortised cost					
- Trade debtors	15	16,964		17,240	
- Amounts owed by group undertakings	15	169,424		151,213	
- Amounts owed by subsidiary undertakings	15	77,273		69,490	
- Amounts owed by related parties outside the JCB Service group	15	65,449		55,173	
- Other debtors	15	1,759		1,708	
- Prepayments and accrued income	15	744		1,842	
			331,613		296,666
Financial assets constituting equity instruments measured at cost less impairment			-		-
Financial liabilities measured at fair value through profit and loss					
- Derivative financial instruments	16		14,269		-
Financial liabilities measured at amortised cost					
- Bank loans and overdrafts	16	72,901		130,519	
- Trade creditors	16	3,961		4,336	
- Amounts owed to group undertakings	16	341,650		229,790	
- Amounts owed to subsidiary undertakings	16	3,444		2,848	
- Amounts owed to associated undertakings	16	-		1,251	
- Amounts owed to related parties outside JCB Service group	16	517		270	
- Other creditors	16/17	3,366		4,064	
- Accruals and deferred income	16	877		6,833	
			426,716		379,911



## JCB Sales Limited

### Notes to the financial statements for the year ended 31 December 2016 (continued)

#### 20. Called up share capital

	2016 £	2015 £
<b>Allotted, called up and fully paid up</b>		
100 Ordinary shares of £1 each (2015: 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.

#### 21. Reserves

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

Other reserves – comprises reserves designated for other purposes including derivative financial instruments.

Retained deficit / (accumulated losses) – includes all current and prior year retained profits and losses.

#### 22. 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.

#### 23. 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 £26,000 (2015: £9,000). The net amount due to JCB Research at 31 December 2016 was £508,000 (2015: £266,000).

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 £nil (2015: £2,560,000) and the total value of the recharges in respect of these services was £nil (2015: £534,000). The net amount due from JCB Construction Equipment (Shanghai) Limited at 31 December 2016 was £37,828,000 (2015: £35,046,000).

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 2016 was £27,588,000 (2015: £20,113,000).

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 (2015: £nil). The net amount due from JCB Hong Kong Limited at 31 December 2016 was £24,000 (2015: £11,000).

## **JCB Sales Limited**

### **Notes to the financial statements for the year ended 31 December 2016 (continued)**

#### **24. 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 financial statements 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.

#### **25. Registered Addresses**

The registered addresses of the subsidiary undertakings are detailed below:

<b>Company</b>	<b>Registered address</b>
JCB Remarketing Limited	Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP
JCB Defence Products Limited	Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP
JCB Europe EURL	3, Rue du Vignolle, 95200, Sarcelles, France
JCB do Brasil Ltda	Avenida Joseph Cyril Bamford, 3600 – Eden – Sorocaba- São Paulo, 18013-139
JCB Benelux Limited	Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP
JCB Kenya Services Limited	LR. 1/1228, Chaka Place, Argwings, Khodhek Road, P.O BOX 46971-00100, Kenya
JCB Russia LLC	Russian Federation, 107045, Moscow, Trubnaya St, 12, Office 1A