J.C.B. Sales Limited

Directors' Report and Financial Statements

for the year ended 31 December 2018

Registered number 00792807

J.C.B. Sales Limited

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J.C.B. Sales Limited

Directors and advisors

Directors
T J Burnhope
G A Macdonald
M Bersellini

Company secretary
S E R Ovens

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No 1 Spinningfields
Hardman Square
Manchester
M3 3EB

Solicitors
Slaughter & May
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Bankers

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One Snowhill	120 Edmund Street	Canary Wharf
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B3 2WN		

Registered office
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Staffs
ST14 5JP

Registered number
00792807

J.C.B. Sales Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the company for the year ended 31 December 2018.

Principal activities
The principal activity of J.C.B. 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 companies.

Review of business and future developments
In 2018 the global construction equipment market grew by 18% compared to 2017 (Source: ISTAT). This growth was more evenly spread compared to the prior year with India exhibiting the strongest growth at 34%, with other regions as follows: China 33%, Russia & CIS 28%, Asia Pacific 22%, Latin America 20%, North America 16%, Europe 15%, and the UK & Ireland 8%. The markets of Middle East & Turkey, Africa and Japan & Korea all declined by 22%, 5%, and 4% respectively. For 2019, markets are expected to remain stable, although heightened geopolitical uncertainties make forecasting more challenging than usual.

This market growth has enabled the company to increase turnover by 13% from £132.4m in 2017 to £149.8m in 2018. Focus on reducing overhead expenditure has meant that the company has made an operating profit of £5.2m (2017: operating loss of £26.4m) and has closed the year with net assets of £7.5m (2017: net liabilities of £28.6m).

Results in the early part of 2019 are in line with expectations. The global construction market is expected to grow in 2019. 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 2019 and beyond.

Principal risks and uncertainties
The principal risk facing J.C.B. 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, J.C.B. 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.

Other key risks monitored by the executive management team are the competitive environment, protection of intellectual property and cyber security. Executive management monitors these on a regular basis and has plans in place to mitigate these risks.

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
J.C.B. 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. J.C.B. 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, J.C.B. 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 2018 was a liability of £7.1m (2017: asset of £7.6m).

Regulatory Landscape

The change in the regulatory landscape brought about by the UK's exit from the European Union presents very few concerns to J.C.B. Sales Limited. The Company has previously had a lot of experience buying components from and selling finished goods to countries outside the EU, on different terms to the Single Market, so adapting to any foreseeable change in regulatory landscape will, as anticipated, prove to be relatively straightforward and this is expected to remain the case for the rest of this financial year and beyond.

Key performance indicators (KPIs)

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

Financial measures are turnover and operating profit:

	2018 £'000	2017 £'000
Turnover	149,823	132,410
Operating profit/(loss)	5,244	(26,367)

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

Approved on behalf of the board

G A Macdonald
Director
4 JULY 2019

J.C.B. Sales Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

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 (2017: £nil).

Statutory records

The company is a privately held company, limited by shares, and incorporated in England. 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:

G A Macdonald
T J Burnhope
G W Robinson (resigned 1 January 2018)
M Bersellini (appointed 1 January 2018)

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

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.

J.C.B. Sales Limited

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 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.

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.

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

- so far as the director is aware, there is no relevant audit information of which the 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.

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
4 JULY 2019

Independent auditors' report to the members of J.C.B. Sales Limited

Report on the audit of the financial statements

Opinion

In our opinion, J.C.B. Sales Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Profit and loss account, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Independent auditors' report to the members of J.C.B. Sales Limited (continued)

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Parsons (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
4 July 2019

J.C.B. Sales Limited

Profit and loss account for the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Turnover	5	**149,823**	132,410
Cost of sales		**(77,804)**	(71,725)
Gross profit		**72,019**	60,685
Administrative expenses		**(66,775)**	(87,052)
Operating profit /(loss)	6	**5,244**	(26,367)
Net finance costs and similar expenses	9	**(8,298)**	(6,879)
Loss before taxation		**(3,054)**	(33,246)
Tax on loss	10	**859**	5,634
Loss for the financial year		**(2,195)**	(27,612)

All activities are derived from continuing operations.

Statement of comprehensive income for the year ended 31 December 2018

	2018	2017
	£'000	£'000
Loss for the financial year	**(2,195)**	(27,612)
Change in value of hedging instruments:		
(losses)/gains arising during the year	**(24,243)**	10,083
Re-classified to profit and loss account	**9,508**	12,166
Movement on deferred tax relating to hedging adjustments	**2,505**	(3,782)
Other comprehensive (expense)/income	**(12,230)**	18,467
Total comprehensive expense for the year	**(14,425)**	(9,145)

J.C.B. Sales Limited

Balance sheet as at 31 December 2018

	Note	2018	2017
		£'000	£'000
Fixed assets			
Tangible assets	11	**3,994**	3,799
Investments	12	**2,874**	2,874
		6,868	6,673
Current assets			
Stocks	13	**12,373**	20,164
Debtors	14	**295,276**	327,982
Cash and cash equivalents		**159,547**	146,166
		467,196	494,312
Creditors: amounts falling due within one year	15	**(465,224)**	(529,616)
Net current assets / (liabilities)		**1,972**	(35,304)
Total assets less current liabilities		**8,840**	(28,631)
Creditors: amounts falling due after more than one year	16	**(1,896)**	-
Net assets / (liabilities)		**6,944**	(28,631)
Capital and reserves			
Called up share capital	19	-	-
Share premium	19	**50,000**	-
Other reserves	20	**(5,921)**	6,309
Accumulated losses	20	**(37,135)**	(34,940)
Total shareholder's funds / (deficit)		**6,944**	(28,631)

The financial statements on pages 8 to 24 were approved by the board of directors on 4 JULY 2019 and were signed on its behalf by:

G A Macdonald
Director

Registered Number: 00792807

J.C.B. Sales Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium	Other reserves	Accumulated losses	Total Shareholder's (deficit) / funds
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2017	**-**	**-**	**(12,158)**	**(7,328)**	**(19,486)**
Loss for the financial year	-	-	-	(27,612)	(27,612)
Other comprehensive income/(expense) for the year	-	-	18,467	-	18,467
Total comprehensive income/(expense) for the year	**-**	**-**	**18,467**	**(27,612)**	**(9,145)**
Balance as at 31 December 2017 and 1 January 2018	**-**	**-**	**6,309**	**(34,940)**	**(28,631)**
Loss for the financial year	-	-	-	(2,195)	(2,195)
Other comprehensive income/(expense) for the year	-	-	(12,230)	-	(12,230)
Total comprehensive expense for the year	**-**	**-**	**(5,921)**	**(37,135)**	**(43,056)**
Share issue	-	**50,000**	-	-	**50,000**
Balance as at 31 December 2018	**-**	**50,000**	**(5,921)**	**(37,135)**	**6,944**

J.C.B. Sales Limited

Notes to the financial statements for the year ended 31 December 2018

1. General information

The principal activity of J.C.B. 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 a privately held company, limited by shares and incorporated, registered and domiciled in England, UK. The address of its registered office is Lakeside Works, Rocester, Staffs, ST14 5JP.

2. Statement of compliance

The financial statements of J.C.B. 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 22.

The financial statements contain information about J.C.B. 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 when significant risk and rewards have been transferred to external parties, normally upon shipment.

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) 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 statements 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.

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

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.

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 J.C.B. 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.

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 the statement of comprehensive income and released to profit or loss on settlement.

The company does not currently apply hedge accounting for interest rate 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.

(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.

J.C.B. Sales Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5. Turnover

An analysis of turnover is given below:

	2018 £'000	2017 £'000
Commission earned	**69,342**	59,731
Machine sales	**80,481**	72,679
	149,823	132,410

An analysis of turnover by geographical market is given below:

	2018 £'000	2017 £'000
United Kingdom	**69,809**	59,896
Europe	**69,684**	59,294
North America	**1,035**	788
Far East	**1,648**	4,182
Middle East	**2,756**	4,081
Latin America	**3,090**	3,418
Africa	**1,801**	751
	149,823	132,410

J.C.B. Sales Limited is engaged in a single class of business: the sale of a range of excavating machines.

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging / (crediting):

	2018 £'000	2017 £'000
Hire of machinery and equipment	**1,564**	1,520
Hire of land and buildings	**895**	979
Foreign currency losses	**1,463**	29,738
Services provided by the company's auditors:		
Fees payable for the audit	**25**	23
Depreciation of tangible fixed assets	**314**	379

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:

	2018 Number	2017 Number
Directors	**3**	3
Administration	**211**	198
	214	201

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	**19,437**	17,534
Social security costs	**1,900**	2,051
Other pension costs	**1,195**	1,238
	22,532	20,823

8. Directors' emoluments

The directors' emoluments for the year were as follows:

	2018 £'000	2017 £'000
Directors' emoluments	**846**	1,136
Defined benefit pension cost	-	19
	846	1,155

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

	2018 Number	2017 Number
Defined benefit	-	1

The aggregate emoluments of the highest paid director (excluding pension contributions) were £846,000 (2017: £1,136,000).

9. Net finance costs and similar expenses

	2018 £'000	2017 £'000
Group interest	**1,156**	1,061
Discounting charges	**7,997**	6,219
Interest received from bank deposits	**(855)**	(401)
	8,298	6,879

10. Tax on loss

Analysis of credit in the year

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on loss for the year	**(317)**	(5,848)
Adjustments in respect of prior year	**(616)**	(225)
UK corporation tax	**(933)**	(6,073)
Foreign tax	-	312
Total current tax	**(933)**	(5,761)
Deferred tax		
Origination and reversal of timing differences	**145**	55
Adjustments in respect of prior year	**(71)**	72
Total deferred tax	**74**	127
Total tax on loss	**(859)**	(5,634)

10. Tax on loss (continued)

Factors affecting current year tax credit

The tax assessed on the loss for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	2018	2017
	£'000	£'000
Loss before taxation	**(3,054)**	(33,246)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(580)**	(6,400)
Permanent differences	**408**	919
Adjustments in respect of prior year	**(687)**	(153)
Total tax for the year	**(859)**	(5,634)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 19%.

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.

11. Tangible fixed assets

	Plant & Machinery	**Fixtures, Fittings & Office Equipment**	**Motor Vehicles**	**Assets under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
As at 1 January 2018	2,958	2,970	661	1,800	8,389
Additions	-	-	-	509	509
Reclassification		1,892		(1,892)	-
As at 31 December 2018	**2,958**	**4,862**	**661**	**417**	**8,898**
Accumulated depreciation					
As at 1 January 2018	2,036	1,906	648	-	4,590
Charge for the year	132	176	6	-	314
As at 31 December 2018	**2,168**	**2,082**	**654**	**-**	**4,904**
Net book value at 31 December 2018	**790**	**2780**	**7**	**417**	**3,994**
Net book value at 31 December 2017	922	1,064	13	1,800	3,799

Depreciation is charged in administrative expenses.

Notes to the financial statements for the year ended 31 December 2018 (continued)

12. Investments

	2018 £'000	2017 £'000
Shares in group company		
As at 1 January 2018 and 31 December 2018	**25**	25
Shares in subsidiary undertakings		
As at 1 January 2018 and 31 December 2018	**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 2018 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

The registered addresses of these companies are included in note 24.

13. Stocks

	2018 £'000	2017 £'000
Finished goods	**12,373**	20,164

During the year stock recognised as an expense in cost of sales was £66,242,000 (2017: £64,475,000).
Stocks are stated after provisions for impairment of £212,000 (2017: £183,000).
The value of stock in the balance sheet is not materially different from the replacement cost.

14. Debtors

	2018 £'000	2017 £'000
Trade debtors	**17,525**	13,924
Amounts owed by group undertakings	**180,405**	146,023
Amounts owed by subsidiary undertakings	**17,538**	81,785
Amounts owed by related parties outside the JCB Service group	**74,793**	71,207
Corporation tax recoverable	**2,108**	5,087
Deferred tax	**1,308**	-
Other debtors	**283**	52
Prepayments and accrued income	**1,316**	1,376
Derivative financial instruments	**-**	8,528
	295,276	327,982

Trade debtors are stated net of amounts discounted without recourse of £191,198,000 (2017: £172,931,000). An impairment loss of £nil (2017: £nil) was recognised against trade debtors.

15. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	**58,761**	66,782
Trade creditors	**7,255**	4,262
Derivative financial instruments	**5,238**	927
Amounts owed to group undertakings	**363,783**	425,898
Amounts owed to subsidiary undertakings	**162**	4,919
Amounts owed to other related parties outside JCB Service group	**314**	305
Corporation tax	**-**	532
Deferred tax	**-**	1,123
Other taxation and social security	**338**	298
Other creditors	**20,870**	19,972
Accruals and deferred income	**8,503**	4,598
	465,224	529,616

The bank loans and overdrafts are repayable on demand.

Deferred tax

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

	2018 £'000	2017 £'000
As at 1 January	**1,123**	(2,786)
Deferred tax charged to the profit and loss account	**74**	127
Deferred tax charged/(credited) to reserves	**(2,505)**	3,782
As at 31 December	**(1,308)**	1,123

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

	2018 £'000	2017 £'000
Difference between depreciation and capital allowances on fixed assets	**(95)**	(169)
Other timing differences	**(1,213)**	1,292
	(1,308)	1,123

The net reversal in deferred tax expected to occur next year is £100,000 relating to the reversal of existing timing differences on fixed assets and other timing differences.

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

	2018	2017
	£'000	£'000
Derivative financial instruments	**1,896**	-

17. Pension schemes

The company is a participating employer in two defined benefit schemes: J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit scheme. These schemes have a combined deficit of £250.1 million (2017: £271.8 million) calculated in accordance with FRS102. Details of these schemes are disclosed in the financial statements of JCB Service.

18. Financial instruments

	Note	2018	2018	2017	2017
		£'000	**£'000**	£'000	£'000
Financial assets measured at fair value through profit and loss					
- Derivative financial instruments	14		**-**		8,528
Financial assets constituting debt instruments measured at amortised cost					
- Trade debtors	14	**17,525**		13,924	
- Amounts owed by group undertakings	14	**180,405**		146,023	
- Amounts owed by subsidiary undertakings	14	**17,538**		81,785	
- Amounts owed by related parties outside the JCB Service group	14	**74,793**		71,207	
- Other debtors	14	**283**		52	
			290,544		312,991
Financial liabilities measured at fair value through profit and loss					
- Derivative financial instruments	15/16		**7,134**		927
Financial liabilities measured at amortised cost					
- Bank loans and overdrafts	15	**58,761**		66,782	
- Trade creditors	15	**7,255**		4,262	
- Amounts owed to group undertakings	15	**363,783**		425,898	
- Amounts owed to subsidiary undertakings	15	**162**		4,919	
- Amounts owed to related parties outside JCB Service group	15	**314**		305	
- Other creditors	15	**20,870**		19,972	
- Accruals	15	**8,503**		2,686	
			459,648		524,824

19. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid up		
101 Ordinary shares of £1 each (2017: 100 Ordinary shares of £1 each)	**101**	100

During the year, the company issued 1 ordinary share for total consideration of £50 million.

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.

20. Reserves

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

Share premium – represents the premium arising on the issue of equity shares

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

Accumulated losses – includes all current and prior year retained profits and losses.

21. 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.

22. 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 £56,000 (2017: £55,000). The net amount due to JCB Research at 31 December 2017 was £313,000 (2017: £303,000).

The company has sold machines and provided certain services to JCB Construction Equipment (Shanghai) Limited, a company that is ultimately controlled by Bamford family interests. The total value of these sales during the year was £nil (2017: £nil) and the total value of the recharges in respect of these services was £nil (2017: £nil). The net amount due from JCB Construction Equipment (Shanghai) Limited at 31 December 2018 was £29,882,000 (2017: £34,925,000).

The company has also recharged costs incurred on behalf of the BHoldings Limited Group, a group in which Lady Bamford OBE and her family are shareholders of £12.4 million (2017: £15.3 million). The net amount due from the BHoldings Limited Group at 31 December 2018 was £39,364,000 (2017: £36,250,000).

The company has also recharged costs to JCB Hong Kong Limited, a company that is ultimately controlled by Bamford family interests. The total value of these purchases was £nil (2017: £nil). The net amount due from JCB Hong Kong Limited at 31 December 2018 was £46,000 (2017: £30,000).

J.C.B. Sales Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

23. 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 and JCB Service financial statements are available from Companies House.

24. Registered addresses

The registered addresses of the subsidiary undertakings are detailed below:

Company	Registered address
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
J C Bamford NV	Zandweistraat, 16, 4181, CG Waardenburg, Netherlands
JCB Belgium NV	Nijverheidslaan, 1501, 3660, Opglabbeek, België