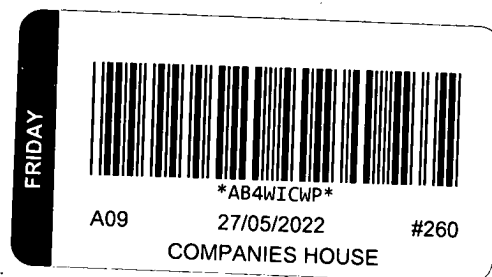


Annual Report and Financial Statements
of
JCB Finance Limited
Year Ended 31st December 2021

Registered Office
The Mill
High Street
Rocester
Staffordshire
ST14 5JW
Registration No: 972265



JCB FINANCE LIMITED

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JCB FINANCE LIMITED

Directors and Other Information

Directors

J D B Workman (Chairman)
D T Brown (resigned 29 April 2022)
J C Hall
R J Heldreich
I J Isaac
P R Jennings
G S McGinty (appointed 1 April 2021)
P Moffat (appointed 10 November 2021)
J A Pattara (resigned 10 November 2021)
D G Powell (resigned 31 March 2021)
R A M Winter

Company Secretary

R J Heldreich

Auditors

Ernst & Young LLP
Bristol
United Kingdom
BS1 6BX

Bankers

National Westminster Bank Plc
41 Greengate Street
Stafford
ST16 2JD

Solicitors

Addleshaw Goddard
101 Barbirolli Square
Manchester
M2 3AB

Registered Office

The Mill
High Street
Rocester
Staffordshire
ST14 5JW

Company Registration Number

00972265

JCB FINANCE LIMITED

Strategic Report

For the year ended 31 December 2021

Activity

The principal activity of the company continues to be the provision of instalment credit and leasing facilities. The company is a subsidiary of the NatWest Group plc which provides the company with guidance and access to all central resources it needs and helps to determine policy in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

The annual reports of the NatWest Group plc review these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at natwestgroup.com.

Business review and outlook

The directors are satisfied with the company's performance in the year, having grown balances and profits as the UK emerges from the Covid-19 pandemic. The company will be guided by its shareholders in seeking further opportunities for growth.

Financial performance

The profit on ordinary activities before taxation during the year was £25,836,948 (31 December 2020: £20,986,682). The tax expense for the year was £4,621,267 (31 December 2020: £4,222,180), which resulted in a profit of £21,215,681 being transferred to reserves (31 December 2020: £16,764,502). The Company paid dividends totalling £20,000,000 during the year (2020: £Nil).

The amount financed under all forms of agreements entered into during the year was £1,168,232,907 (2020: £749,458,684).

Principal risks and uncertainties

The company seeks to minimise its exposure to external financial risks. Further information on financial risk management policies and exposures is disclosed in note 22 of the financial statements. It also has exposure to asset risk on the residual value of property, plant and equipment, which is further explained in note 1.

Directors duties and engagement with stakeholders

Section 172(1) statement:

Section 172(1) of the Companies Act 2006 (Section 172) is one of the statutory duties that directors have and requires them to promote the success of the Company for the benefit of shareholders as a whole while taking into account the interests of other stakeholders and, in so doing, have regard to the matters set out in Section 172(1)(a) to (f). These include the long term consequences of decisions, colleague interests, the need to foster the Company's business relationships with suppliers, customers and others; the impact on community and the environment; the Company's reputation and the need to act fairly as between members.

The Company's key stakeholders are business customers of all sizes, from small family run businesses to large commercial enterprises, the JCB Dealer network, JCB Finance employees (being full-time and part time staff), and suppliers who support the Company in the provision of elements of its products and services. These key stakeholders have been identified by virtue of contracts and relationships held by those stakeholders directly with the Company. The range of engagement methods used by directors to understand the various stakeholder views and interests include Net Promoter Scores, complaint volumes, staff surveys and open lines of communication with the Dealer network at all levels within the business.

Directors are supported in the discharge of their duties by the Company Secretary. All Directors are aware of their statutory duties, including Section 172 and are aware of the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

Engagement with suppliers, customers and others

Customers are at the heart of everything JCB Finance does and the Board recognises the key role suppliers play in ensuring the Company delivers a reliable service to customers. The Company is also committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages sustainability issues in its supply chain. Refer to jcb-finance.com for the Company's Modern Slavery Statement.

Engaging employees

JCB Finance adopts a pro-active approach to employee engagement. The management structure provides open channels for employee communication and feedback, and confidential employee surveys are used to ensure employee views are taken into account in decision making.

How stakeholder interests have influenced decision making

The Company recognises the importance of engaging with stakeholders to help inform strategy and Board decision making. Relevant stakeholder interests, including those of employees, are taken into account by the Board when it takes decisions. All decisions taken by the Board during the financial year were routine in nature but took account of relevant stakeholder interests, as appropriate. Please refer to the Annual Report and Accounts of the NatWest Group plc for further information on its approach to stakeholder engagement.

Approved by the Board of Directors and signed on behalf of the Board



R J Heldreich
COMPANY SECRETARY
18 May 2022

JCB FINANCE LIMITED

Directors' Report

For the year ended 31 December 2021

The directors present their annual report and the audited financial statements for the year ended 31 December 2021. The Strategic Report includes the review of the year and risk report.

Directors and Company Secretary

The Directors and Company Secretary, who served during the year and subsequently, are listed below:

J D B Workman
D T Brown (resigned 29 April 2022)
J C Hall
R J Heldreich
I J Isaac
P R Jennings
G S McGinty (appointed 1 April 2021)
P Moffat (appointed 10 November 2021)
J A Pattara (resigned 10 November 2021)
D G Powell (resigned 31 March 2021)
R A M Winter

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the company's ability to continue as a going concern.

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 Strategic Report, the Directors' Report and the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

JCB FINANCE LIMITED

Directors' Report (continued)

For the year ended 31 December 2021

Policy and Practice on Payment of Creditors

The company follows the policy and practice on payment of trade creditors determined by the NatWest Group plc, which is committed to maintaining a sound commercial relationship with its suppliers. Consequently, the policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay them within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment year as may be agreed.

Trade creditors of the Company at the year end were equivalent to 8 days purchases based on the average daily amount invoiced to the Company during this year (2020: 11 days).

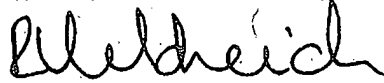
Going Concern

These financial statements are prepared on a going concern basis, see note 1(a) on page 12.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

Approved by the Board of Directors and signed on behalf of the Board



R J Heldreich
COMPANY SECRETARY
18 May 2022

JCB FINANCE LIMITED

Independent Auditor's Report to the Members of JCB Finance Limited

Opinion

We have audited the financial statements of JCB Finance Limited for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue until 18 May 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

JCB FINANCE LIMITED

Independent Auditor's Report to the Members of JCB Finance Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on Page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006), the relevant direct and indirect tax compliance regulation in the United Kingdom, the Consumer Credit Act 1974 and the licence conditions and supervisory requirements of the Financial Conduct Authority (FCA).
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulators; reviewed minutes of the Board and Risk Committees; and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering risk of management override and by assuming revenue, specifically topside adjustments to revenue, to be subject to fraud risk. We considered the controls the company has established to address the risks identified by the directors or that otherwise seek to prevent, deter or detect fraud, including in a remote-working environment; and how management monitors these controls. Our audit procedures also included testing a sample of manual journals to verify the transactions were appropriate and supported by source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedure involved making inquiry of those charged with governance and senior management as to their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations, inquiring about the company's methods of enforcing and monitoring compliance with such policies, reviewing the complaints log, and inspecting significant correspondence with the FCA.
- The company is a regulated in respect of consumer credit under the supervision of the FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Andy Blackmore (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
United Kingdom
25 May 2022

JCB FINANCE LIMITED

Income Statement

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Continuing operations			
Revenue	2	79,920,013	87,666,779
Other operating income		177,698	158,910
Other net operating charges	3	<u>(46,638,570)</u>	<u>(55,829,978)</u>
Operating profit		33,459,141	31,995,711
Other income	4	1,358,675	-
Finance costs	5	<u>(8,980,868)</u>	<u>(11,009,029)</u>
PROFIT BEFORE TAXATION		25,836,948	20,986,682
Tax expense on profit on ordinary activities	9	<u>(4,621,267)</u>	<u>(4,222,180)</u>
PROFIT FOR THE YEAR	10	<u>21,215,681</u>	<u>16,764,502</u>

JCB FINANCE LIMITED

Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 £	2020 £
Profit for the year	21,215,681	16,764,502
Items that will not be reclassified subsequently to profit or loss:		
Movement in defined benefit pension scheme	4,820,000	(1,020,000)
Tax on movement in defined benefit pension scheme	(1,181,906)	193,800
Other comprehensive income for the year net of tax	3,638,094	(826,200)
Total comprehensive income for the year	24,853,775	15,938,302

Statements of Changes in Equity

As at 31 December 2021

	Share Capital £	Retained Earnings £	Total Equity £
At 1 January 2020	100,000	20,285,097	20,385,097
Profit for the year	-	16,764,502	16,764,502
Other comprehensive income for the year	-	(826,200)	(826,200)
At 31 December 2020	100,000	36,223,399	36,323,399
At 1 January 2021	100,000	36,223,399	36,323,399
Profit for the year	-	21,215,681	21,215,681
Other comprehensive income for the year	-	3,638,094	3,638,094
Dividends paid (£200 per share)	-	(20,000,000)	(20,000,000)
At 31 December 2021	100,000	41,077,174	41,177,174

JCB FINANCE LIMITED

Balance Sheet

At 31 December 2021

Company Registration Number: 00972265

	Notes	2021 £	2020 £
NON-CURRENT ASSETS			
Property, plant and equipment	11	93,760,300	95,603,936
Finance lease receivables	19	569,912,012	515,337,535
Deferred tax asset	17	17,341	488,129
Investment in subsidiaries	12	-	50,350
		<u>663,689,653</u>	<u>611,479,950</u>
CURRENT ASSETS			
Net investment in loan receivables	13	69,869,578	39,458,731
Finance lease receivables	19	392,989,221	342,852,438
Trade and other receivables	14	6,648,628	6,957,113
Inventories	23	390,583	155,166
Retirement benefit scheme	8	6,640,000	1,630,000
Cash at bank and in hand		389	774
		<u>476,538,399</u>	<u>391,054,222</u>
TOTAL ASSETS		<u>1,140,228,052</u>	<u>1,002,534,172</u>
CURRENT LIABILITIES			
Amounts owed to group undertakings	15	(550,558,980)	(493,063,498)
Trade and other payables	16	(29,245,721)	(21,347,275)
		<u>(579,804,701)</u>	<u>(514,410,773)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		560,423,351	488,123,399
NON-CURRENT LIABILITIES			
Amounts owed to group undertakings	15	(519,246,177)	(451,800,000)
TOTAL LIABILITIES		<u>(1,099,050,878)</u>	<u>(966,210,773)</u>
NET ASSETS		<u>41,177,174</u>	<u>36,323,399</u>
EQUITY			
Share capital	18	100,000	100,000
Reserves		<u>41,077,174</u>	<u>36,223,399</u>
TOTAL EQUITY		<u>41,177,174</u>	<u>36,323,399</u>

These financial statements were approved by the Board of Directors on 18 May 2022 and signed on its behalf by:



J D B WORKMAN
DIRECTOR



R A M WINTER
DIRECTOR

JCB FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting Policies

(a) Preparation and presentation of accounts

These financial statements are prepared:

- on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis. This conclusion is based on the director's assessment of the Company's financial position, including the parental letter of support provided by the immediate parent company. The directors, in relying on this support, have considered the immediate parent company's ability to provide this support with no issues noted

- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and

- on the historical cost basis

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006

- in sterling, which is the functional currency of the Company; and

- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:

- comparative information in relation to certain assets;

- cash-flow statement;

- standards not yet effective;

- certain disclosures from IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases';

- related party transactions; and

- disclosure requirements of IFRS 7 'Financial Instruments: Disclosure' and IFRS 13 'Fair Value Measurement'

Where required equivalent disclosures are given in the group accounts of the NatWest Group plc, these accounts are available to the public and can be obtained as set out in note 25.

(b) Adoption of new and revised Standards

The changes to IFRS that were effective from 1 January 2021 have had no material effect on the Company's Financial Statements for the year ended 31 December 2021.

(c) Consolidated financial statements

The financial statements contain information about JCB Finance Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 *Consolidated Financial Statements* and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as in accordance with IFRS 10 the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, the NatWest Group plc, a public company registered in Scotland whose registered address is 36 St Andrews Square, Edinburgh, EH2 2YB.

(d) Revenue recognition

Revenue from instalment credit agreements, finance and operating leases are recognised in accordance with the Company's policies (see (e) and (h) below). Sales proceeds received on the disposal of end of lease assets are recognised in revenue in the year in which the sale occurs, with the book value of the asset being charged to other net operating charges. Revenue arises in the United Kingdom from continuing activities.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting Policies (continued)

(e) Leases

As lessor

Leases are classified as finance leases if they transfer substantially all the risks and rewards of the ownership of the asset to the customer. All other leases are classified as operating leases.

Finance lease receivables are stated in the balance sheet at the amount of the net investment in the leases being the minimum lease payments and any unguaranteed residual value discounted at the effective interest rate in the lease. Finance lease income is allocated to accounting years so as to give constant periodic rate of return before tax on the net investment.

Rental income from operating leases is credited to the Income statement on a straight line accruals basis over the term of the lease. Operating lease assets are included within property, plant and equipment.

Unguaranteed residual values are subject to regular review to identify potential impairment. For Finance Leases, if there has been a reduction in the estimated unguaranteed residual value, the income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

As a lessee

On entering a new lease contract, the Company recognises a right of use asset and a lease liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful economic life, subject to review for impairment.

Short term and low value leased assets are expensed on a systematic basis.

(f) Impairment of financial assets

At each balance sheet date each financial asset measured at amortised cost is assessed for impairment. Loss allowances are forward looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk, otherwise allowances are based on lifetime expected credit losses. As permitted by IFRS 9, the simplified approach has been adopted for the assessment of the impairment of finance lease receivables.

Lifetime expected credit losses are estimated at customer level based on an assessment of the present value of estimated recoveries. 12-month expected losses are based on prior experience through the economic cycle and economic conditions forecast for key markets served by the Company. The costs of loss allowances on assets held at amortised cost are presented as impairments in the Income statement.

(g) Financial instruments

On initial recognition financial instruments are measured at fair value. Subsequently they are measured at amortised cost.

Amortised cost assets have to meet both of the following criteria:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments'. A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

(h) Instalment credit agreements, invoice discounting facilities and stocking loans

These financial assets are measured at amortised cost. Charges are apportioned using the Effective Interest Rate method. Stocking loans are short term agreements to fund dealer stocking commitments. Invoice discounting facilities are short term arrangements with dealers to fund periods of customer trade credit.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged to the Income statement on a straight-line basis so as to write them down to their estimated residual value over their estimated useful lives. Estimated residual values are re-assessed on an annual basis.

Operating Leases

Motor Cars

Office Equipment

Estimated useful life

Term of contract

4 years

3 - 10 years

(j) Amounts owed to group undertakings

Initially measured at fair value and subsequently at amortised cost. Finance costs charged on borrowings from group undertakings are recognised in the Income statement in the year in which they are incurred.

(k) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income statement when there is objective evidence that the asset is impaired.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting Policies (continued)

(l) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost.

(m) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(n) Pension schemes

The Company provides post-retirement benefits in the form of pensions to eligible employees. The cost of defined benefit pension schemes to the company is assessed by independent professionally qualified actuaries and recognised on a systemic basis over employees' service lives. For defined benefit schemes, scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to other net operating charges. Actuarial gains and losses are recognised in full in the year in which they occur and presented in other comprehensive income.

Contributions to defined contribution pension schemes are recognised in profit or loss when payable.

During the year the Company has participated in one defined benefit pension scheme, the JCB Finance Ltd Pension Scheme, and one defined contribution scheme which is operated by Royal London.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting Policies (continued)

(n) Pension schemes (continued)

The JCB Finance Limited Pension Scheme

Employer normal contributions to the scheme for the year were £920,000 (2020: £1,030,000) and the agreed weighted average contribution rate was 39.7% (2020: 42.4%).

JCB Finance Limited Stakeholder Pension Plan (Royal London)

This is a defined contribution scheme, the assets and liabilities of which are held independently from the Company.

Contributions to the scheme for the year were £380,106 (2020: £341,421) and the agreed contribution rate was 15% (2020: 15%).

(o) Inventories

The assets held in stock represent end of lease equipment which is held for disposal rather than continuing use within the business. Assets are shown at the lower of carrying value and fair value less estimated costs to sell.

(p) Other net operating charges

Other net operating charges include individually assessed provisions made against advances for which recovery is considered to be doubtful, and management charges payable which are accounted for on an accruals basis.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits. Cash and cash equivalents are shown net of bank overdrafts, which are included within trade and other payables on the balance sheet.

(r) Critical Accounting judgements and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the factors the directors consider most important to the portrayal of the Company's performance and financial condition are:

- provisions for bad and doubtful debts (judgment & estimate, notes 13 and 19)
- impairment of unguaranteed residual values (estimates, notes 11 and 19)

The Company's policy for provisions and impairment of unguaranteed residual values is noted above.

	2021 £	2020 £
2. Revenue		
Income from loans and receivables	1,459,676	1,687,735
Finance leases	37,995,611	36,417,850
Operating leases	25,927,771	26,454,583
Sale of equipment	<u>14,536,955</u>	<u>23,106,611</u>
	<u>79,920,013</u>	<u>87,666,779</u>
3. Other net operating charges		
Operating expenses	10,343,246	9,776,346
Commission payable	673,252	595,342
Bad debt charge	469,718	737,848
Fixed asset depreciation	283,470	318,824
Operating lease depreciation	20,770,108	21,467,971
Carrying value of equipment sold	<u>14,098,776</u>	<u>22,933,647</u>
	<u>46,638,570</u>	<u>55,829,978</u>
4. Other income		
Dividend income from subsidiaries	<u>1,358,675</u>	<u>-</u>
5. Finance costs		
Interest on loans and payables:		
The NatWest Group plc	<u>8,980,868</u>	<u>11,009,029</u>
6. Staff numbers and costs	2021	2020
The average number of persons (including directors) employed by the Company during the year was as follows:	No.	No.
Salaried staff	<u>102</u>	<u>103</u>
	2021	2020
	£	£
The aggregate payroll cost of these persons was as follows:		
Wages and salaries	5,931,275	5,702,538
Social security costs	798,382	653,357
Other pension costs	<u>1,109,685</u>	<u>1,059,394</u>
	<u>7,839,342</u>	<u>7,415,289</u>

Other pension costs includes £360,106 in relation to defined contribution arrangements (2020: £341,421).

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

	2021 £	2020 £
7. Emoluments of directors		
Remuneration	656,120	794,187
Pension contributions	<u>77,599</u>	<u>106,761</u>
	<u>733,719</u>	<u>900,948</u>

Retirement benefits are accruing to 1 director under defined benefit schemes (2020: 2).

Emoluments of the highest paid director

Remuneration	228,289	277,287
Pension contributions	<u>-</u>	<u>-</u>
	<u>228,289</u>	<u>277,287</u>

8. Retirement benefit schemes

The Company operates a pension scheme (the JCB Finance Limited Pension Scheme) which is a defined benefit scheme, the assets of which are held in a separately administered pension fund. The Scheme is established under, and governed by, a Trust Deed and Rules and is regulated by the Pensions Regulator. The Scheme is managed by a Board of Trustees.

The latest full actuarial valuation was carried out as at 31 December 2018 and an interim valuation has been carried out as at 31 December 2021. The Scheme has been closed to new members since 2008. The employer contribution rates have been agreed between the Trustees and the Company up to 31 December 2021 at an average of 39.7% of pensionable salary amounting to £0.7m per annum. In addition, shortfall contributions of £0.4m per annum will be paid in each calendar year from 2020 to 2024 inclusive. The next full actuarial valuation will be performed as at 31 December 2021 and contribution rates for the next 3 years will then be agreed between the Trustees and the Company which are not expected to materially differ from current levels.

The total pension cost for the Company is assessed in accordance with the advice of qualified actuaries, and amounted to £730,000 (2020: £700,000).

As at 31 December 2021 there was a gross surplus of funds as calculated under IAS 19, "Retirement benefits", by the independent qualified actuaries of £6,640,000 (2020: £1,630,000). This is represented by scheme assets with a market value of £52,050,000 (2020: £48,920,000) net of scheme liabilities with a present value of £45,410,000 (2020: £47,290,000). The surplus is recognised under IFRIC 14 on the basis that the Scheme rules contain the provision for any surplus to be paid back to the employer upon winding up of the Scheme. The weighted average duration of the Defined Benefit obligation is 21 years (2020 - 23 years)

The actuarial valuation was carried out using the projected unit method with principal assumptions as follows:

	2021	2020
Rate of increase in salaries following year	1.75%	1.75%
Rate of increase in salaries thereafter	1.75%	1.75%
Rate of increase in pensions in payment	2.90%	2.70%
Discount rate	1.80%	1.40%
Inflation assumption (RPI)	3.25%	2.85%

The defined benefit obligation is highly sensitive to changes in the above assumptions, and a sensitivity analyses is provided on the following page. The sensitivity analyses have been determined based on a method that extrapolates the impact on the fair value of plan liabilities as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the fair value of plan liabilities as it is unlikely that changes in assumptions would occur in isolation of one another.

The market value of the assets and liabilities of the scheme, the expected average rates of return and the effect on the company's reserves were as follows:

	2021 £	2020 £
Equities	17,550,000	16,389,000
Fixed Income Securities	33,890,000	32,329,000
Cash	<u>610,000</u>	<u>202,000</u>
Total market value of assets	52,050,000	48,920,000
Actuarial value of liability	<u>(45,410,000)</u>	<u>(47,290,000)</u>
Gross pension surplus	<u>6,640,000</u>	<u>1,630,000</u>

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

	2021	2020
	£	£
8. Retirement benefits schemes (continued)		
Movements in pension scheme surplus during the year:		
Fair value of plan assets:		
Opening balance	48,920,000	42,600,000
Interest income on scheme assets	680,000	880,000
Return on scheme assets above discount rate	2,760,000	5,300,000
Employer contributions	920,000	1,030,000
Employee contributions	40,000	50,000
Benefits paid	(1,270,000)	(940,000)
Closing balance	52,050,000	48,920,000
Fair value of plan liabilities:		
Opening balance	(47,290,000)	(40,280,000)
Current service cost	(760,000)	(730,000)
Past service cost		(30,000)
Interest cost on the defined benefit obligation	(650,000)	(820,000)
Employee contributions	(40,000)	(50,000)
Experience gains (losses)	(360,000)	210,000
Changes in actuarial financial assumptions	2,370,000	(6,010,000)
Changes in actuarial demographic assumptions	50,000	(520,000)
Benefits paid	1,270,000	940,000
Closing balance	(45,410,000)	(47,290,000)
Gross surplus	6,640,000	1,630,000
Sensitivity analysis:	2021	2020
Effect on fair value of plan liabilities:		
Increase in Discount rate by 50 basis points	-12%	-10%
Decrease in Discount rate by 50 basis points	+11%	+11%
Increase in CPI by 25 basis points	+4%	+3%
Decrease in CPI by 25 basis points	-4%	-3%
Increase of 1 year in Life Expectancy of Scheme participants	+4%	+4%
	2021	2020
	£	£
9. Tax expense on profit on ordinary activities		
Current tax - UK corporation tax - group relief payable	5,240,728	4,425,023
Current tax - adjustment in relation to prior year	91,657	78,751
Current tax expense for the year	5,332,385	4,503,774
Deferred tax credit for the current year	(711,117)	(299,540)
Deferred tax - adjustment in relation to prior year	(1)	17,946
Deferred tax credit for the year	(711,118)	(281,594)
Tax expense for the year	4,621,267	4,222,180
Profit on ordinary activities before tax	25,836,948	20,986,682
Expected expense at 19% (2020: 19%)	4,909,020	3,987,470
Permanently disallowable expenditure	118,486	137,401
Non-taxable items	(258,148)	-
Adjustments in relation to prior year	91,656	96,697
Effect of change in UK tax rate	(239,747)	612
	4,621,267	4,222,180
10. Profit for the year		
Profit for the year has been arrived at after charging / (crediting):		
Profit on disposal of property, plant and equipment	(489,558)	(241,579)
Fees payable to the Company's auditor for the audit of financial statements	85,600	85,600

The audit fee is borne by the Company's immediate parent undertaking. The amount noted above has been allocated to this company. No remuneration was paid to the auditors for non-audit services.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. Property, plant and equipment		Operating Leases £	Motor Cars £	Office Equipment £	Total £
Cost	At 1 January 2021	149,293,490	880,381	1,804,537	151,978,408
	Additions	33,417,451	133,347	45,286	33,596,084
	Disposals	-	(193,755)	(232,249)	(426,004)
	Transfer to inventories	(32,151,883)	-	-	(32,151,883)
	At 31 December 2021	150,559,058	819,973	1,617,574	152,986,605
Depreciation	At 1 January 2021	54,441,494	350,292	1,582,687	56,374,473
	Charge for year	20,770,108	196,164	87,306	21,053,578
	Disposals	-	(100,944)	(230,018)	(330,962)
	Transfer to inventories	(17,860,783)	-	-	(17,860,783)
	At 31 December 2021	57,350,819	445,512	1,439,975	59,236,306
Net book value at 31 December 2021		93,208,240	374,461	177,599	93,760,300
Cost	At 1 January 2020	164,617,246	934,071	1,708,569	167,259,886
	Additions	31,430,401	323,017	156,825	31,910,243
	Transfer from group company	-	-	-	-
	Disposals	-	(376,707)	(60,857)	(437,564)
	Transfer to inventories	(46,754,157)	-	-	(46,754,157)
At 31 December 2020		149,293,490	880,381	1,804,537	151,978,408
Depreciation	At 1 January 2020	57,010,642	368,808	1,545,326	58,924,776
	Charge for year	21,467,971	233,322	85,502	21,786,795
	Transfer from group company	-	-	-	-
	Disposals	-	(251,838)	(48,141)	(299,979)
	Transfer to inventories	(24,037,119)	-	-	(24,037,119)
At 31 December 2020		54,441,494	350,292	1,582,687	56,374,473
Net book value at 31 December 2020		94,851,997	530,089	221,850	95,603,936

12. Investment in subsidiaries

	Subsidiary Undertakings £
Cost at beginning of the year	50,350
Disposals	(50,350)
Cost at end of the year	-

On 21 December 2021, having completed a repurchase of outstanding share capital the Directors of the following entities applied to have them voluntarily struck off by Companies House. Final strike off of both entities occurred on 29 March 2022.

Name of Company	Country of Registration	Reg. No.	Holding	% Held	Nature of Business
JCB Finance (Leasing) Limited	England & Wales	02211998	Ordinary shares	100%	Dormant
Landpower Leasing Limited	England & Wales	02579121	Ordinary shares	100%	Dormant

The registered office of both subsidiaries was The Mill, High Street, Rocester, Staffordshire ST14 5JW.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

	2021 £	2020 £
13. Net investment in loan receivables		
Amounts falling due within one year:		
Invoice discounting facilities	14,124,355	4,469,812
Term loans	1,847,828	949,500
Stocking loans	53,897,385	34,039,419
	<u>69,869,578</u>	<u>39,458,731</u>
14. Trade and other receivables		
Amounts falling due within one year:		
Other receivables	<u>6,648,628</u>	<u>6,957,113</u>
15. Amounts owed to group undertakings		
Amounts falling due within one year:		
Owed to subsidiary undertakings		1,408,773
Parent company loans bearing interest at fixed and variable rates	<u>550,558,980</u>	<u>491,654,725</u>
	<u>550,558,980</u>	<u>493,063,498</u>
Amounts falling after one year:		
Parent company loans bearing interest at fixed rates		
1 - 5 years	519,246,177	451,800,000
Over 5 years	-	-
	<u>519,246,177</u>	<u>451,800,000</u>

The fair value of amount owed to group undertakings is considered not to be materially different to the carrying amount in the balance sheet.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

	2021 £	2020 £
16. Trade and other payables		
Amounts falling due within one year:		
Bank overdraft	1,724,579	2,694,785
Group relief payable	5,240,728	4,424,153
Trade creditors	69,423	87,585
Rentals received in advance	5,869,761	5,824,685
Other taxation	809,765	1,466,090
Other creditors	<u>15,531,465</u>	<u>6,849,977</u>
	<u>29,245,721</u>	<u>21,347,275</u>

Within Other creditors is an amount of £12,284,487 (2020: £4,923,304) which represents amounts due to third parties secured against finance lease receivables included within note 19.

17. Deferred taxation

(a) The deferred tax asset provided in the financial statements is made up as follows:

Decelerated capital allowances	1,677,341	797,829
Pensions	<u>(1,660,000)</u>	<u>(309,700)</u>
	<u>17,341</u>	<u>488,129</u>

(b) The movements on the balance for deferred taxation are as follows:

Opening balance	488,129	12,735
Recognised in statement of changes in comprehensive income	<u>(1,181,906)</u>	<u>193,800</u>
Recognised in income statement	<u>711,118</u>	<u>281,594</u>
Closing balance	<u>17,341</u>	<u>488,129</u>

Deferred income taxes are calculated on temporary differences under the liability method using the tax rates expected to apply when the liability is settled or the asset is realised. The UK Corporation tax rate applicable to the company from 1 April 2020 is 19%. It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This legislative change was enacted on 10 June 2021. Closing deferred tax assets and liabilities have therefore been calculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

18. Share capital

Authorised:		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. Finance lease receivables

	2021 £	2020 £
Amounts receivable under finance leases		
Within 1 year	400,094,968	352,068,473
1 to 2 years	280,360,452	262,211,062
2 to 3 years	185,928,003	156,177,628
3 to 4 years	87,581,878	80,746,678
4 to 5 years	27,675,578	27,522,250
After 5 years	6,014,582	7,698,769
Lease payments total	997,655,460	886,424,860
Unguaranteed residual values	925,978	1,001,931
Unearned income	(34,222,421)	(27,702,516)
Present value of lease payments	964,359,016	859,724,275
Impairments	(1,457,783)	(1,534,302)
Net investment in finance leases	<u>962,901,233</u>	<u>858,189,973</u>
Due within one year	392,989,221	342,852,438
Due after more than one year	<u>569,912,012</u>	<u>515,337,535</u>
	<u>962,901,233</u>	<u>858,189,973</u>

The fair value of finance lease receivables is considered not to be materially different to the carrying amounts in the balance sheet. Finance lease receivables include Hire Purchase receivables as well as lease agreements where substantially all risks and rewards of ownership are transferred to the customer.

20. Operating lease receivables

The following table shows undiscounted lease receipts from operating leases:

Within 1 year	18,584,109	20,374,721
1 to 2 years	14,921,323	16,659,632
2 to 3 years	7,331,284	9,003,036
3 to 4 years	2,750,454	2,612,599
4 to 5 years	859,788	407,196
After 5 years	566,638	299,655
	<u>45,013,596</u>	<u>49,356,839</u>

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

21. Commitments and contingencies

The NatWest Group has agreed to compensate UK members for any adjustments in respect of UK:UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988.

There were no capital commitments at either year end.

22. Financial instruments and risk management

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital, reserves and retained earnings. The Company is a member of the NatWest Group of companies which has regulatory disciplines over the use of its capital. The Company operates controls and policies put in place by the Group to ensure that the Company can continue as a going concern and to ensure that the Group complies with these regulatory disciplines.

Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1.

Categories of financial instruments

The carrying value of each category of financial instruments, as defined in IFRS 9, is disclosed in the following table:

	2021	2020
	£	£
Financial assets		
Finance lease receivables	962,901,233	858,189,973
Loan receivables	69,869,578	39,458,731
Other financial assets	6,649,017	6,957,887
	<u>1,039,419,828</u>	<u>904,606,591</u>
Financial liabilities		
Amortised cost	<u>1,089,805,157</u>	<u>944,863,498</u>

The fair value of financial assets and liabilities is considered not to be materially different to the carrying amounts in the balance sheet.

Risk management

The Company uses a comprehensive framework for managing risks established by the JCB Finance Group and the NatWest Group.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

22. Financial Instruments and risk management (continued)

The risks associated with the Company's business are as follows:

Liquidity risk

Liquidity risk is the risk that the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can only secure them at excessive cost. It is the Company policy to ensure that sufficient liquid assets are available at all times to meet the Company's obligations. On a day to day basis liquidity is managed through an intercompany loan with the Company's immediate parent undertaking. The maturity analysis of financial liabilities are disclosed in notes 15, 16 & 22.

Market risk

Market risk is the risk that changes in market conditions, other than interest and foreign exchange rates, will have an adverse impact on the Company's financial condition or results.

Interest rate risk and sensitivity analysis

Structural interest rate risk arises where assets and liabilities have different repricing maturities. Receivables are funded by loans from parent companies. This funding is repayable on a variety of dates which fundamentally match the repricing profile of the assets of the Company. If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit for the year would have increased by £24,651 (2020: decreased £16,558).

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

Credit risk

Credit risk is the risk that companies, financial institutions and other counterparties will be unable to meet their obligations to the Company. Credit risk principally arises from the Company's lending activities. The Company carries out a variety of credit checks on proposals, and has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The impairment movement in the year is as follows:

	2021 £	2020 £
At 1 January 2021	1,534,301	783,036
Additional charges made during the year	469,718	737,848
Amounts recovered (utilised)	(546,236)	13,417
At 31 December 2021	<u>1,457,783</u>	<u>1,534,301</u>

Asset risk

The Company leases assets to customers under a range of agreements including Hire Purchase agreements, finance leases and operating leases. Where the Company retains an interest in the underlying asset (principally on operating lease agreements), residual values are set and regularly monitored by the Company's Residual Value Working Group. Assets are leased subject to contractual limits on usage over the duration of the lease and any excess usage is charged to the customer. Where possible lessor risk is reduced through the use of buy back agreements.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the NatWest Group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and positions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

As a Regulated business, the Company must also comply with the complex regulatory environment within which it operates. The Company maintains a regulatory monitoring activity to understand future requirements and how these may impact on the Company.

JCB FINANCE LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

	2021 £	2020 £
23. Inventories		
Used equipment	<u>390,583</u>	<u>155,166</u>

The assets above represent end of lease equipment which is held for disposal rather than continuing use within the business. Assets are shown at the lower of carrying value and fair value less estimated costs to sell.

24. Related party transactions

The Company's immediate parent and ultimate controlling party is described in note 25.

The Company has balances with an intermediate parent company, bearing interest at fixed and variable rates. Lombard North Central plc owns 75% of the issued share capital of the company. National Westminster Bank plc is a wholly owned subsidiary of the Company's ultimate parent company, NatWest Group plc. The balances payable at the year end are disclosed below, whilst interest payable is disclosed in Note 5.

	2021 £	2020 £
National Westminster Bank plc	<u>1,069,805,157</u>	<u>943,454,725</u>

The company maintains a bank account with National Westminster Bank plc which had an overdrawn balance at the year end of £1,724,579 (2020: overdrawn balance £2,694,785)

There is an outstanding amount of group relief payable of £5,240,728 (2020: £4,424,153) due to the NatWest Group plc.

Included within the net investment in loans and receivables is an amount of £4,751,138 (2020: £3,744,633) due from JCB Sales Limited, a fellow subsidiary of J.C. Bamford Excavators Limited who own 25% of the equity in the Company.

25. Ultimate parent undertaking

The Company's ultimate parent company is the NatWest Group plc which is incorporated in Great Britain and registered in Scotland.

The UK Government's shareholding in NatWest Group plc is managed by UK Government Investments Limited, a company wholly owned by the UK Government. As a result the UK Government and UK Government controlled bodies are related parties of the Company.

The largest group into which these financial statements are consolidated is the NatWest Group plc, a company incorporated in Great Britain and registered in Scotland. The smallest Group into which these financial statements are consolidated is National Westminster Bank plc which is incorporated in Great Britain and registered in England. The company's immediate parent company is Lombard North Central plc. Copies of the consolidated financial statements of these groups can be obtained from:

Corporate Governance and Regulatory Affairs
NatWest Group plc
Gogarburn
PO Box 1000
Edinburgh
EH12 1HQ

Companies' Registry
Companies House
Crown Way
Cardiff
CF14 3UZ.