JCB Finance Limited

Annual Report and Financial Statements

For the year ended 31st December 2022

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)
	L J Durber (appointed 18 May 2022)
	J C Hall
	C Hannequin (appointed 18 May 2022)
	R J Heldreich
	I J Isaac
	P R Jennings (resigned 18 May 2022)
	G S McGinty
	P Moffat
	R A M Winter
Company Secretary	R J Heldreich
Auditors	Ernst & Young LLP The Paragon Counterslip 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
Registered in	England
Company Registration Number	00972265

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 and on the Companies House website. A copy can also be requested from Legal, Governance and Regulatory Affairs, NatWest Group, Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ.

Business review and outlook

The directors are satisfied with the company's performance in the year, having grown balances and profits. 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 £26.73m (31 December 2021: £25.84m). The tax expense for the year was £5.24m (31 December 2021: £4.62m), which resulted in a profit of £21.49m being transferred to reserves (31 December 2021: £21.22m). The Company paid dividends totalling £20.00m during the year (2021: £20.00m).

The amount financed under all forms of agreements entered into during the year was £1,380.96m (2021: £1,168.23m).

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 21 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
17 May 2023

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. 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)
L J Durber (appointed 18 May 2022)
J C Hall
C Hannequin (appointed 18 May 2022)
R J Heldreich
I J Isaac
P R Jennings (resigned 18 May 2022)
G S McGinty
P Moffat
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.

Directors' Indemnities

Natwest Group plc has indemnified Ian Isaac and Peter Moffat under qualifying third-party terms.

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 (2021: 8 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
17 May 2023

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 2022 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 24, 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 2022 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.

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 there is 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.

Matters on which we are required to report by exception
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 the controls established to address the risks identified to prevent or detect fraud. We assessed the risk of material fraud and identified audit procedures to respond to these risks.
- 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 noncompliance with such laws and regulations. Our procedures 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
18 May 2023

JCB FINANCE LIMITED

Income Statement

For the year ended 31 December 2022

Continuing operations	Notes	2022 £'000	2021 £'000
Revenue	2	87,365	79,920
Other operating income		240	178
Other net operating charges	3	(45,683)	(46,639)
Operating profit		41,922	33,459
Other income	4	-	1,359
Finance costs	5	(15,193)	(8,981)
PROFIT BEFORE TAXATION		26,729	25,837
Tax expense on profit on ordinary activities	9	(5,242)	(4,621)
PROFIT FOR THE YEAR	10	21,487	21,216

JCB FINANCE LIMITED

Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Profit for the year	21,487	21,216
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gain/(loss) of defined benefit pension scheme	(95)	4,820
Tax on movement in defined benefit pension scheme	24	(1,182)
Other comprehensive (loss)/income for the year net of tax	(71)	3,638
Total comprehensive income for the year	21,416	24,854

Statements of Changes in Equity

As at 31 December 2022

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2021	100	36,223	36,323
Profit for the year	-	21,216	21,216
Other comprehensive income for the year	-	3,638	3,638
Dividends paid (£200 per share)	-	(20,000)	(20,000)
At 31 December 2021	100	41,077	41,177
At 1 January 2022	100	41,077	41,177
Profit for the year	-	21,487	21,487
Other comprehensive income for the year	-	(71)	(71)
Dividends paid (£200 per share)	-	(20,000)	(20,000)
At 31 December 2022	100	42,493	42,593

JCB FINANCE LIMITED

Balance Sheet

At 31 December 2022

Company Registration Number: 00972265

	Notes	2022 £'000	2021 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	94,377	93,760
Finance lease receivables	18	597,680	569,912
Deferred tax asset	16	-	17
		692,057	663,689
CURRENT ASSETS			
Net investment in loan receivables	12	119,452	69,870
Finance lease receivables	18	443,866	392,989
Trade and other receivables	13	7,866	6,649
Inventories	22	233	391
Retirement benefit scheme	8	6,706	6,640
Cash at bank and in hand		-	-
		578,123	476,539
TOTAL ASSETS		1,270,180	1,140,228
CURRENT LIABILITIES			
Amounts owed to group undertakings	14	(607,213)	(550,559)
Trade and other payables	15	(27,728)	(29,246)
		(634,941)	(579,805)
TOTAL ASSETS LESS CURRENT LIABILITIES		635,239	560,423
NON-CURRENT LIABILITIES			
Deferred tax liability	16	(141)	-
Amounts owed to group undertakings	14	(592,505)	(519,246)
TOTAL LIABILITIES		(1,227,587)	(1,099,051)
NET ASSETS		42,593	41,177
EQUITY			
Share capital	17	100	100
Reserves		42,493	41,077
TOTAL EQUITY		42,593	41,177

These financial statements were approved by the Board of Directors on 17 May 2023 and signed on its behalf by:

J D B WORKMAN
DIRECTOR

R A M WINTER
DIRECTOR

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 UK adopted 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, which is private and limited by shares, 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, rounded to the nearest thousand (£000); and
• with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  o comparative information in relation to certain assets;
  o cash-flow statement;
  o standards not yet effective;
  o certain disclosures from IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases';
  o related party transactions; and
  o 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 24.

(b) Adoption of new and revised Standards

The changes to IFRS that were effective from 1 January 2022 have had no material effect on the Company's Financial Statements for the year ended 31 December 2022.

(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.

(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.

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. There are no material short term and low value leased assets.

(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.

	Estimated useful life
Operating Leases	Term of contract
Motor Cars	4 years
Office Equipment	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.

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.

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 Limited Pension Scheme, and one defined contribution scheme which is operated by Royal London.

1. **Accounting Policies (continued)**

(n) Pension schemes (continued)

The JCB Finance Limited Pension Scheme

Employer normal contributions to the scheme for the year were £1.02m (2021: £1.07m) and the agreed weighted average contribution rate was 56.3% (2021: 39.7%) of Pensionable Salary.

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 £0.42m (2021: £0.36m) and the agreed contribution rate was 15% (2021: 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 cost and net realisable value.

(p) Other net operating charges

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

(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 12 and 18)
- impairment of unguaranteed residual values (estimates, notes 11 and 18)
- valuation of defined benefit pension asset (estimates, note 8)

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

	2022 £'000	2021 £'000
2. Revenue		
Income from loans and receivables	3,346	1,460
Finance leases	44,537	37,996
Operating leases	24,179	25,927
Sale of equipment	15,303	14,537
	87,365	79,920
3. Other net operating charges		
Operating expenses	10,742	10,343
Commission payable	680	673
Bad debt charge	(34)	470
Fixed asset depreciation	390	283
Operating lease depreciation	19,603	20,771
Carrying value of equipment sold	14,302	14,099
	45,683	46,639
4. Other Income		
Dividend income from subsidiaries	-	1,359
5. Finance costs		
Interest on loans and payables:		
The NatWest Group plc	15,193	8,981

6. Staff numbers and costs	2022 No.	2021 No.
The average number of persons (including directors) employed by the Company during the year was as follows:		
Salaried staff	103	102

	2022 £'000	2021 £'000
The aggregate payroll cost of those persons was as follows:		
Wages and salaries	6,126	5,931
Social security costs	708	798
Other pension costs	900	1,110
	7,734	7,839

Other pension costs includes £0.42m in relation to defined contribution arrangements (2021: £0.36m).

7. Emoluments of directors

	2022 £'000	2021 £'000
Remuneration	776	656
Pension contributions	81	78
	857	734

Retirement benefits are accruing to 2 directors under defined benefit schemes (2021: 1) and to 2 directors under defined contribution schemes (2021: 2)

Emoluments of the highest paid director

	2022	2021
Remuneration	204	228
Pension contributions	34	-
	238	228

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 2021 and an interim valuation has been carried out as at 31 December 2022. 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 2024 at an average of 56.3% of pensionable salary amounting to £0.6m per annum. The next full actuarial valuation will be performed as at 31 December 2024 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 £0.46m (2021: £0.73m).

As at 31 December 2022 there was a gross surplus of funds as calculated under IAS 19, "Retirement benefits", by the independent qualified actuaries of £6.71m (2021: £6.64m). This is represented by scheme assets with a market value of £32.54m (2021: £52.05m) net of scheme liabilities with a present value of £25.84m. (2021: £45.41m). 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 15 years (2021 - 21 years)

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

	2022	2021
Rate of increase in salaries following year	1.75%	1.75%
Rate of increase in salaries thereafter	1.75%	1.75%
Rate of increase for deferred pensions	2.45%	2.90%
Rate of increase in pensions in payment	2.90%	2.90%
Discount rate	5.00%	1.80%
Inflation assumption (RPI)	3.20%	3.25%
Longevity at age 60 for current pensioners (years) - Males	27.6	27.6
Longevity at age 60 for current pensioners (years) - Females	29.5	29.5
Longevity at age 60 for future pensioners currently aged 40 (years) - Males	29.0	29.0
Longevity at age 60 for future pensioners currently aged 40 (years) - Females	30.9	31.0

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 fair 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:

	2022 £'000	2021 £'000
Quoted Equities	-	17,550
Unquoted Investment Funds	12,013	-
Quoted Fixed Income Securities	19,157	33,890
Cash	1,372	610
Total fair value of assets	32,542	52,050
Actuarial value of liability	(25,836)	(45,410)
Gross pension surplus	6,706	6,640

8. Retirement benefits schemes (continued)

Movements in pension scheme surplus during the year:

	£'000	2022 £'000	£'000	2021 £'000
Fair value of plan assets:				
Opening balance	52,050		48,920	
Interest income on scheme assets	926		680	
Return on scheme assets above discount rate	(19,174)		2,840	
Employer contributions	1,022		1,070	
Employee contributions	37		40	
Benefits paid	(2,319)		(1,500)	
Closing balance		32,542		52,050
Present value of defined benefit obligation:				
Opening balance	(45,410)		(47,290)	
Current service cost	(586)		(760)	
Scheme expenses	(401)		(230)	
Interest cost on the defined benefit obligation	(800)		(650)	
Employee contributions	(37)		(40)	
Experience gains (losses)	(759)		(360)	
Changes in actuarial financial assumptions	19,830		2,370	
Changes in actuarial demographic assumptions	8		50	
Benefits paid	2,319		1,500	
Closing balance		(25,836)		(45,410)
Gross surplus		6,706		6,640

Sensitivity analysis:	2022	2021
Effect on defined benefit obligation		
Increase in Discount rate by 50 basis points	-7%	-12%
Decrease in Discount rate by 50 basis points	+8%	+11%
Increase in CPI by 25 basis points	+3%	+4%
Decrease in CPI by 25 basis points	-3%	-4%
Increase of 1 year in Life Expectancy of Scheme participants	+2%	+4%

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. 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 defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

9. Tax expense on profit on ordinary activities	2022 £'000	2021 £'000
Current tax - UK corporation tax - group relief payable	5,107	5,241
Current tax - adjustment in relation to prior year	(47)	92
Current tax expense for the year	5,060	5,333
Deferred tax credit for the current year	182	(711)
Deferred tax credit for the year	182	(711)
Tax expense for the year	5,242	4,622
Profit on ordinary activities before tax	26,729	25,837
Expected expense at 19% (2021: 19%)	5,079	4,909
Permanently disallowable expenditure	198	118
Non-taxable items	-	(258)
Adjustments in relation to prior year	(47)	92
Effect of change in UK tax rate	12	(240)
	5,242	4,621

10. Profit for the year

Profit for the year has been arrived at after charging / (crediting):		
Profit on disposal of property, plant and equipment	(1,118)	(490)
Fees payable to the Company's auditor for the audit of financial statements	86	86

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.

11. Property, plant and equipment

		Operating Leases £'000	Motor Cars £'000	Office Equipment £'000	Total £'000
Cost	At 1 January 2022	150,558	819	1,618	152,995
	Additions	33,425	1,193	182	34,800
	Disposals	-	(315)	(3)	(318)
	Transfer to inventories	(32,186)	-	-	(32,186)
	At 31 December 2022	151,797	1,697	1,797	155,291
Depreciation	At 1 January 2022	57,350	445	1,440	59,235
	Charge for year	19,603	281	109	19,993
	Disposals	-	(213)	(3)	(216)
	Transfer to inventories	(18,098)	-	-	(18,098)
	At 31 December 2022	58,855	513	1,546	60,914
Net book value at 31 December 2022		92,942	1,184	251	94,377
Cost	At 1 January 2021	149,293	880	1,805	151,978
	Additions	33,417	133	45	33,595
	Transfer from group company	-	(194)	(232)	
	Disposals		-	-	-
	Transfer to inventories	(32,152)	-	-	(32,152)
	At 31 December 2021	150,558	819	1,618	152,995
Depreciation	At 1 January 2021	54,441	350	1,583	56,374
	Charge for year	20,770	196	87	21,053
	Transfer from group company	-	-	-	
	Disposals	-	(101)	(230)	(331)
	Transfer to inventories	(17,861)	-	-	(17,861)
	At 31 December 2021	57,350	445	1,440	59,235
Net book value at 31 December 2021		93,208	374	178	93,760

	2022 £'000	2021 £'000
12. Net investment in loan receivables		
Amounts falling due within one year:		
Invoice discounting facilities	13,692	14,124
Term loans	1,465	1,848
Stocking loans	104,295	53,898
	119,452	69,870
13. Trade and other receivables		
Amounts falling due within one year:		
Other receivables	7,866	6,649
14. Amounts owed to group undertakings		
Amounts falling due within one year:		
Parent company loans bearing interest at fixed and variable rates	607,213	550,559
	607,213	550,559
Amounts falling after one year:		
Parent company loans bearing interest at fixed rates		
1 - 5 years	592,505	519,246
Over 5 years	-	-
	592,505	519,246

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

Interest is payable on loans falling due within 5 years at fixed and variable rates, set based on prevailing SONIA term swap rates at the point the loan is transacted.

15. Trade and other payables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Bank overdraft	543	1,725
Group relief payable	5,107	5,241
Trade creditors	95	69
Rentals received in advance	5,714	5,870
Other taxation and social security	960	810
Other creditors	15,309	15,531
	27,728	29,246

Within Other creditors is an amount of £12.93m (2021: £12.28m) which represents amounts due to third parties secured against finance lease receivables included within note 18.

16. Deferred taxation

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

	2022	2021
Decelerated capital allowances	1,536	1,677
Pensions	(1,677)	(1,660)
	(141)	17

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

	2022	2021
Opening balance	17	488
Recognised in statement of changes in comprehensive income	24	(1,182)
Recognised in income statement	(182)	711
Closing balance	(141)	17

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 for the year was 19%. On 24 May 2021 the UK Government substantively enacted an increase in the UK Corporation Tax rate from 19% to 25% with effect from 1 April 2023. 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.

17. Share capital

	2022	2021
Authorised:		
500,000 ordinary shares of £1 each	500	500
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100	100

18. Finance lease receivables

	2022 £'000	2021 £'000
Amounts receivable under finance leases		
Within 1 year	430,202	400,095
1 to 2 years	325,810	290,360
2 to 3 years	193,557	185,928
3 to 4 years	92,785	87,582
4 to 5 years	33,947	27,676
After 5 years	7,218	6,015
Lease payments total	1,083,519	997,656
Unguaranteed residual values	950	926
Unearned income	(41,161)	(34,222)
Present value of lease payments	1,043,309	964,360
Impairments	(1,763)	(1,458)
Net investment in finance leases	1,041,546	962,902
Due within one year	443,866	392,989
Due after more than one year	597,680	569,913
	1,041,546	962,902

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.

19. Operating lease receivables

The following table shows undiscounted lease receipts from operating leases:

	2022	2021
Within 1 year	17,098	18,584
1 to 2 years	13,584	14,921
2 to 3 years	8,009	7,331
3 to 4 years	4,492	2,750
4 to 5 years	972	860
After 5 years	185	567
	44,340	45,013

20. Commitments and contingencies

There were no capital commitments at either year end.

21. 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:

	2022	2021
	£'000	£'000
Financial assets		
Finance lease receivables	1,041,546	962,902
Loan receivables	119,452	69,869
Other financial assets	7,866	6,649
	1,168,864	1,039,420
Financial liabilities		
Amortised cost	1,199,718	1,069,805

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 Company and the NatWest Group.

21. 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 14, 15 & 20.

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 decreased by £0.17m (2021: increased £0.02m).

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:	2022	2021
	£'000	£'000
At 1 January 2022	1,458	1,534
Additional (releases)/charges made during the year	(34)	470
Amounts recovered (utilised)	339	(546)
At 31 December 2022	1,763	1,458

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.

	2022	2021
	£'000	£'000
22. Inventories		
Used equipment	233	391

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 cost at net realisable value.

23. Related party transactions

The Company's ultimate controlling party is described in note 24.

The Company has unsecured 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.

	2022	2021
	£'000	£'000
National Westminster Bank plc	1,199,727	1,069,805

The company maintains a bank account with National Westminster Bank plc which had an overdrawn balance at the year end of £0.54m (2021: overdrawn balance £1.72m)

There is an outstanding amount of group relief payable of £5.11m. (2021: £5.24m) due to the NatWest Group plc.

Included within the net investment in loans and receivables is an amount of £5.16m (2021: £4.75m) due from JCB Sales Limited, a company in the same group as J.C. Bamford Excavators Limited who own 25% of the equity in the Company.

24. 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.