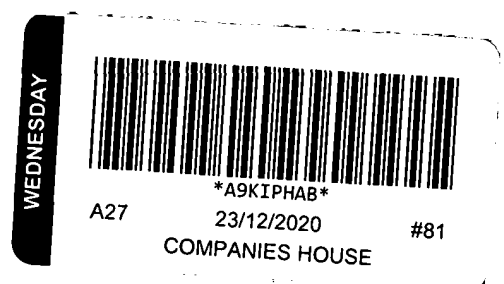


JCB Compact Products Limited
Directors' Report and Financial Statements
for the year ended 31 December 2019

Registered number 01980852



JCB Compact Products Limited

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JCB Compact Products Limited

Directors and advisors

Directors

G A Macdonald
M W Turner
R A M Winter

Company secretary

S E R Ovens

Independent Auditors

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

Solicitors

Slaughter & May
1 Bunhill Row
London
EC1Y 8YY

Bankers

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

Registered office

Harewood Estate
Leek Road
Cheadle
Stoke-on-Trent
ST10 2JU

Registered number

01980852

JCB Compact Products Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report on the company for the year ended 31 December 2019.

Principal activities

The principal activity of JCB Compact Products Limited is the design and manufacture of compact earthmoving and materials handling machines.

Review of business and future developments

In 2019 the global construction equipment market grew by 1% compared to 2018 (Source: ISTAT). This growth was impacted by local, regional and global political landscapes, creating a mixture of market expansions and contractions as follows: Russia & CIS +17%, Latin America +10%, Europe +8%, China +6%, North America +4%, Japan & Korea were flat, Middle East & Turkey -27%, Africa -18%, Asia Pacific -18%, India -16%, and the UK & Ireland -10%. For 2020, the geopolitical landscape is expected to once again feature heavily in the markets, with a global contraction now more likely.

This market growth has enabled the company to increase turnover by 7% from £203.1m in 2018 to £218.3m in 2019. The company generated an operating loss of £9.3m for the year (2018: £8.0m loss). At the year end, the company balance sheet held net assets of £59.2m (2018: £66.2m).

Going concern

The directors have prepared a cash flow forecast for the company for a period of at least 12 months from the date of signing these financial statements. The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of JCB Service. The directors have received confirmation that JCB Service intends to support the company for at least one year from the date of approval of these financial statements. The JCB Service financial statements have been prepared on a going concern basis as set out further below.

Results in 2020 have been significantly impacted by the Covid-19 pandemic, which has brought about a period of economic uncertainty in the Group's markets. The Group has a strong liquidity position, including significant cash balances, and having taken account of reasonably possible changes in trading conditions, the Directors believe it is well positioned to weather this period of uncertainty. At 31 December 2019, the group had cash balances of £615.6m and subsequent to the year-end drew down its revolving credit facility in full and issued £600m of commercial paper under the government Covid Corporate Financing Facility scheme giving the group significant liquidity. At the same time, the group is taking precautionary steps such as reducing non-essential overheads. On 18 March 2020, the group took the decision to close a significant number of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The Group reopened the majority of its factories in May 2020. It is not practicable to precisely quantify the potential financial impact the pandemic could have on the group, given the continued uncertainty.

The uncertainty as to the future impact of the Covid-19 outbreak has been considered as part of the group's adoption of the going concern basis. The Directors have reviewed financial forecasts for the 12 months from the approval date of these financial statements, taking account of reasonably possible changes in trading conditions. After making enquiries and testing the assumptions, including consideration of a severe but plausible downside scenario which models a significant reduction in sales volumes, together with considering sales performance during the post year end period and the current order book, the Directors have satisfied themselves that the group will be able to operate well within the level of its facilities and in continuing compliance with its financial covenants. In addition, the Group has identified a number of mitigating actions that are within management's control and can be actioned on a timely basis to be effective should trading deteriorate and are therefore satisfied there is no material uncertainty. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risk facing JCB Compact Products Limited is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, JCB Compact Products Limited addresses a spectrum of regional markets and product sectors, and operates an organisation and capital structure which is flexible and fast reacting to market conditions.

Other key risks monitored by the executive management team are the competitive environment, protection of intellectual property, availability of key raw materials, changing regulations and macroeconomic factors such as cyber security, terrorism, natural disaster and infectious disease. Executive management monitors these on a regular basis and has plans in place to mitigate these risks.

JCB Compact Products Limited

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

The company continues to monitor the situation relating to Covid-19 and its impact on both the business and the industry as a whole. On 18 March 2020, the JCB Service Group took the decision to close the majority of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The group reopened the majority of its factories in May 2020.

The company continues to make preparations in respect of the change in the regulatory landscape brought about by the UK's exit from the European Union on 31 January 2020. The company has substantial experience in buying components from and selling finished goods to countries outside the EU, on different terms to the Single Market and therefore does not foresee any particular difficulty.

Financial risk management

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

Credit risk

JCB Compact Products Limited's principal financial assets are bank balances, group and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. JCB Compact Products Limited has no significant concentration of external credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, JCB Compact Products Limited uses a mixture of short term facilities and JCB Service group funding if required. Adequate facilities are available to support the company's business for at least 12 months beyond the date of this report.

Exchange rate risk

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

Key performance indicators (KPIs)

JCB Compact Products Limited uses a range of financial and non-financial indicators to monitor performance.

Financial measures are turnover and operating profit:

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| Turnover | 218,260 | 203,112 |
| Operating loss | 9,273 | 8,039 |

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

JCB Compact Products Limited

Strategic report for the year ended 31 December 2019 (continued)

Section 172(1) statement

The directors satisfy their duty to promote the long-term success of the company whilst having regard to the matters and stakeholders described in Section 172, points (a) to (f) of the Companies Act 2006 through the adherence to its Corporate Governance framework, as outlined in the directors report. The ultimate long-term success of the company is dependent upon the efforts of its stakeholders, including employees, suppliers and customers, and the directors take into consideration the interests of these stakeholders when making decisions.

Employees

The directors consider the interests of employees when making decisions through regular consultation where both important information is provided and feedback is obtained. The directors have a strong and collaborative working relationship with employees, for example, the directors engaged closely with the workforce when they assessed how the company should react to the Covid-19 outbreak.

Suppliers and customers

The company develops innovative new products that are designed to meet global customer's needs. This requires a close relationship with customers who provide valuable feedback, which the directors use when making decisions regarding the direction of product development. New product development requires new components and regular discussions with suppliers help drive the direction of sourcing decisions made by the directors. Regular meetings and conferences with customers and suppliers facilitate this process.

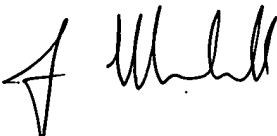
Community and the Environment

The company's strategy for environmental sustainability covers six core work streams - alternative fuels and product efficiency; waste reduction; use of recycled materials; carbon reduction in the logistics and manufacturing operations; removal of single use plastics; and culture and behaviour change. Achieving these core work streams drives the decision making of the directors who are committed to delivering a reduction in carbon emissions from the business.

Business conduct

The company maintains a strict code of conduct to promote and maintain high standards of business conduct and to ensure it acts fairly towards its various stakeholders. The company's supplier code of conduct, health and wellbeing policy and other documents are published on the JCB website.

Approved on behalf of the board



G A Macdonald
Director

4 DECEMBER 2020

JCB Compact Products Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Future developments

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

Dividends

The directors did not approve or pay an interim dividend during the year (2018: £nil). The directors do not recommend the payment of a final dividend.

Research and development

The company continues to invest in product research and development with expenditure during the year of £8.7 million (2018: £7.5 million).

Statutory Records

The company is a privately held company, limited by shares, and incorporated in England. Its company registration number is 01980852.

Directors

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

G A Macdonald

M W Turner

R A M Winter (appointed 1 January 2019)

Directors Indemnity Insurance

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

Employees

The directors acknowledge the need to encourage employee involvement in the improvement of the company's performance by supplying information on matters of importance through regular consultation with employees. Information is provided by various means, including audio-visual presentations, company newspapers and information bulletins. There is also an annual review of the company's performance, which is presented to all employees. Employees are encouraged to participate in local schemes designed to improve performance in the areas in which they work.

The company discharges, equitably, its statutory and social duties in respect of the Sex Discrimination Act 1975, the Race Relations Act 1976, the Disability Discrimination Act 1995 and the Employment Equality Regulations on sexual orientation, religion, belief or age. An equal opportunities policy is in operation. For those employees becoming disabled during the course of their employment, every effort is made, whether through training or redeployment, to provide an opportunity for them to remain with the company.

Stakeholder engagement

The company maintains a close relationship with customers who provide valuable feedback, critical for developing innovative new products that are designed to meet global customer's needs. Regular discussions with suppliers help drive the direction of sourcing decisions made by the directors. Regular meetings and conferences with customers and suppliers facilitate this process. Regarding the environment, the company's strategy for environmental sustainability covers six core work streams - alternative fuels and product efficiency; waste reduction; use of recycled materials; carbon reduction in the logistics and manufacturing operations; removal of single use plastics; and culture and behaviour change. Achieving these core work streams drives the decision making of the directors who are committed to delivering a reduction in carbon emissions from the business.

Matters disclosed elsewhere within the financial statements

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

JCB Compact Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Elective resolutions are currently in force to dispense with holding annual general meetings, the laying of financial statements before the Company in general meetings and the appointment of auditors annually. Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Approved on behalf of the board



G A Macdonald
Director

4 DECEMBER 2020

JCB Compact Products Limited

Independent auditors' report to the members of JCB Compact Products Limited

Report on the audit of the financial statements

Opinion

In our opinion, JCB Compact Products Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and loss account and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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.

Reporting on other information

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

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

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

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

JCB Compact Products Limited

Independent auditors' report to the members of JCB Compact Products Limited (continued)

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

4 December 2020

JCB Compact Products Limited

Profit and loss account for year ended 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|---------------|
| Turnover | 5 | 218,260 | 203,112 |
| Cost of sales | | (210,959) | (196,031) |
| Gross profit | | 7,301 | 7,081 |
| Distribution costs | | (10,458) | (9,915) |
| Administrative expenses | | (6,116) | (5,205) |
| Operating loss | 6 | (9,273) | (8,039) |
| Interest receivable and similar income | 9 | 776 | 828 |
| Interest payable and similar expenses | 10 | (105) | (118) |
| Loss before taxation | | (8,602) | (7,329) |
| Tax on loss | 11 | 1,573 | 1,308 |
| Loss for the financial year | | (7,029) | (6,021) |

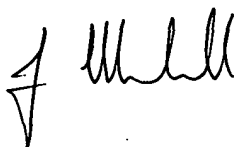
The company has no other comprehensive income or expense for the year and prior year other than the results above and therefore no separate statement of comprehensive income has been presented.

JCB Compact Products Limited

Balance Sheet as at 31 December 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Tangible assets | 12 | 10,890 | 6,791 |
| Investments | 13 | 64 | 64 |
| | | 10,954 | 6,855 |
| Current assets | | | |
| Stock | 14 | 17,970 | 31,049 |
| Debtors | 15 | 68,770 | 84,220 |
| Cash and cash equivalents | | 2,980 | 1,682 |
| | | 89,720 | 116,951 |
| Creditors: amounts falling due within one year | 16 | (36,196) | (53,105) |
| Net current assets | | 53,524 | 63,846 |
| Total assets less current liabilities | | 64,478 | 70,701 |
| Provisions for liabilities | 18 | (5,292) | (4,486) |
| Net assets | | 59,186 | 66,215 |
| Capital and reserves | | | |
| Called up share capital | 20 | - | - |
| Retained earnings | 21 | 59,186 | 66,215 |
| Total shareholder's funds | | 59,186 | 66,215 |

The financial statements on pages 9 to 26 were approved by the board of directors on 4 DECEMBER 2020 and were signed on its behalf by:



G A Macdonald
Director

Registered Number: 01980852

JCB Compact Products Limited

Statement of changes in equity for the year ended 31 December 2019

| | Called up share capital | Retained earnings | Total shareholder's funds |
|---|----------------------------|----------------------|---------------------------------|
| | £'000 | £'000 | £'000 |
| Balance as at 1 January 2018 | - | 72,236 | 72,236 |
| Loss for the financial year | - | (6,021) | (6,021) |
| Total comprehensive expense for the year | - | (6,021) | (6,021) |
| Balance as at 31 December 2018 | - | 66,215 | 66,215 |
| Loss for the financial year | - | (7,029) | (7,029) |
| Total comprehensive expense for the year | - | (7,029) | (7,029) |
| Balance as at 31 December 2019 | - | 59,186 | 59,186 |

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

The principal activity of JCB Compact Products Limited is the design and manufacture of compact earthmoving and materials handling machines.

The company is incorporated and domiciled in the UK. The address of its registered office is Harewood Estate, Leek Road, Cheadle, Stoke On Trent, ST10 2JU.

2. Statement of compliance

The financial statements of JCB Compact Products Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The company is a wholly-owned subsidiary of JCB Service and is included in the consolidated financial statements of JCB Service, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102. The company is also exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the JCB Service group or investees of the JCB Service group. The company has taken advantage of the exemption from disclosing total compensation to key management personnel under paragraph 33.7 of FRS 102. The company has also taken the exemption in respect of certain financial instrument disclosures as allowed by FRS 102. For details of related party transactions see note 23.

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

3. Summary of significant accounting policies

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

Principal accounting policies

The financial statements have been prepared under the historical cost convention, on the going concern basis, and in accordance with the Companies Act 2006 as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(a) Going concern

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

Results in 2020 have been significantly impacted by the Covid-19 pandemic, which has brought about a period of economic uncertainty in the Group's markets. The Group has a strong liquidity position, including significant cash balances, and having taken account of reasonably possible changes in trading conditions, the Directors believe it is well positioned to weather this period of uncertainty.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(a) Going concern (continued)

At 31 December 2019, the group had cash balances of £615.6m and subsequent to the year-end drew down its revolving credit facility in full and issued £600m of commercial paper under the government Covid Corporate Financing Facility scheme giving the group significant liquidity. At the same time, the group is taking precautionary steps such as reducing non-essential overheads. On 18 March 2020, the group took the decision to close a significant number of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The Group reopened the majority of its factories in May 2020. It is not practicable to precisely quantify the potential financial impact the pandemic could have on the group, given the continued uncertainty.

The uncertainty as to the future impact of the Covid-19 outbreak has been considered as part of the group's adoption of the going concern basis. The Directors have reviewed financial forecasts for the 12 months from the approval date of these financial statements, taking account of reasonably possible changes in trading conditions.

After making enquiries and testing the assumptions, including consideration of a severe but plausible downside scenario which models a significant reduction in sales volumes, together with considering sales performance during the post year end period and the current order book, the Directors have satisfied themselves that the group will be able to operate well within the level of its facilities and in continuing compliance with its financial covenants. In addition, the Group has identified a number of mitigating actions that are within management's control and can be actioned on a timely basis to be effective should trading deteriorate and are therefore satisfied there is no material uncertainty. Accordingly, the group continues to adopt the going concern basis in preparing the financial statements.

(b) Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered to customers outside of the company, excluding VAT and sales taxes and net of sales incentives.

The company recognises turnover from sales of products, normally on an ex works basis for machines and on despatch for parts. Turnover from the provision of services is recognised in the accounting period in which the services are rendered when the outcome of contract can be estimated reliably. Turnover from warranty contracts is spread over the life of the contract.

Interest income is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

(c) Sales incentives

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

(d) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(e) Employee benefits

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

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

(f) Taxation

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

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

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

The deferred tax assets and liabilities are not discounted.

(g) Tangible fixed assets

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the original cost by equal annual instalments over the expected useful economic lives of the assets concerned, other than freehold land and assets in the course of construction which are not depreciated.

The principal rates used are:

| | |
|---|----------|
| Freehold buildings | 2% |
| Plant and machinery | 10% |
| Fixtures, fittings and office equipment | 20% |
| Motor vehicles | 20 - 25% |

Additional depreciation is provided where, in the opinion of the directors, there has been a permanent diminution in the value of the fixed asset.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets

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

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

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

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

(i) Stocks and work in progress

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

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

(j) Warranty provision

Provision is made for the company's estimated liability on all machines still under warranty, including claims already received. The provision is charged against trading profits and is included in provisions for liabilities and other charges, with amounts recoverable from suppliers included within other debtors. Deferred income in relation to warranty contracts is included within the warranty provision and released over the life of the policy net of the costs incurred.

(k) Research and development

Expenditure on research and development is incurred continuously and is expensed as incurred.

(l) Repairs and renewals

All repairs and renewals are expensed as incurred.

(m) Debtors

Trade debtors are recorded net of amounts discounted without recourse, less any provision for bad or doubtful debts. Initial recognition is at transaction price, subsequently measured at amortised cost.

(n) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(o) Investments

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

(p) Dividends

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

(q) Financial instruments

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

(i) Financial assets

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

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank and other loans, loans from fellow company companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

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

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

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Critical accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives and recoverability of tangible and intangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets, and note 3 for the useful economic lives for each class of assets.

The useful economic lives of intangible assets are determined by the directors upon inception and are re-assessed annually. They are amended to reflect any degradation of the asset that becomes apparent.

There are a number of assumptions made when performing annual impairment reviews over the group's tangible and intangible assets. Where an indicator of impairment exists, determining whether such assets are impaired requires an estimation of the value in use of the assets, based upon expected future cash flows and a suitable discount rate.

(b) Stock provisioning

The company designs, manufactures and sells construction equipment and is subject to market demands and regulatory requirements. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of its stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the stock and associated provision.

(c) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for the net carrying amount of the debtors and associated impairment provision.

(d) Warranty provision

The company designs, manufactures and sells construction equipment with certain products having a warranty period associated with their sale. As a result the company considers the future cost of warranty claims and the provision arising. When calculating the provision required, management considers its obligation to make good eligible issues within the relevant warranty period for those product lines having warranty conditions attached, and takes into account historical data and known performance issues. See note 18 for the warranty movement and year end provision.

(e) Sales incentive provision

Under certain conditions the company offers sales incentives in order to maintain its competitiveness in its respective markets. The provision is calculated by considering economic indicators across geographic regions and market segments. Provisions are made with reference to agreed terms with customers or based on historical experience where formal agreements are not in place.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Turnover

An analysis of turnover by geographical market is given below:

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 68,127 | 67,339 |
| Europe | 104,306 | 95,388 |
| North America | 33,081 | 27,847 |
| Middle East | 1,554 | 1,078 |
| Far East | 5,909 | 7,278 |
| Africa | 1,518 | 1,486 |
| Latin America | 3,581 | 2,393 |
| India | 184 | 303 |
| | 218,260 | 203,112 |

JCB Compact Products Limited is engaged in a single class of business: the design, manufacture, marketing and sale of a range of excavating machines.

6. Operating loss

Operating loss is stated after charging:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Hire of machinery and equipment | 495 | 373 |
| Services provided by the company's auditors | | |
| Fees payable for the audit | 35 | 32 |
| Foreign currency losses | 2,463 | 1,251 |
| Depreciation of tangible fixed assets | 655 | 577 |
| Research and development expenditure | 8,746 | 7,543 |

7. Particulars of employees

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

| | 2019 Number | 2018 Number |
|----------------------------|----------------|----------------|
| Directors | 3 | 3 |
| Administration and service | 122 | 111 |
| Production | 357 | 368 |
| | 482 | 482 |

The aggregate payroll costs of these persons were as follows:

| | 2019 £'000 | 2018 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 25,514 | 26,601 |
| Social security costs | 2,080 | 2,110 |
| Other pension costs | 2,648 | 2,263 |
| | 30,242 | 30,974 |

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Directors' emoluments

The directors' emoluments for the year were as follows:

| | 2019 £'000 | 2018 £'000 |
|-----------------------|---------------|---------------|
| Directors' emoluments | 515 | - |

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

| | 2019 Number | 2018 Number |
|-----------------|----------------|----------------|
| Defined benefit | - | - |

The aggregate emoluments of the highest paid director (excluding pension contributions) were £515,000 (2018: £nil).

Emoluments of other directors are borne by other group companies.

9. Interest receivable and similar income

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| Group interest | 776 | 828 |

10. Interest payable and similar expenses

| | 2019 £'000 | 2018 £'000 |
|---------------------------|---------------|---------------|
| Group discounting charges | 105 | 118 |

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Tax on loss

| Analysis of credit in the year | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax credit on loss for the year | (1,872) | (1,682) |
| Adjustments in respect of prior year | 301 | 387 |
| UK corporation tax | (1,571) | (1,295) |
| Deferred tax | | |
| Origination and reversal of timing differences | 270 | 307 |
| Adjustments in respect of prior year | (272) | (320) |
| Total deferred tax | (2) | (13) |
| Total tax credit on loss | (1,573) | (1,308) |

Factors affecting current year tax credit

The tax assessed on the loss for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

| The differences are explained below: | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Loss before taxation | (8,602) | (7,329) |
| Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (1,634) | (1,393) |
| Permanent differences | 32 | 18 |
| Adjustments in respect of prior year | 29 | 67 |
| Total tax credit for the year | (1,573) | (1,308) |

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's losses for this accounting year are taxed at an effective rate of 19% (2018: 19%).

Deferred tax liabilities have not been discounted.

Future tax changes

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. These changes have been reflected in these financial statements. On 11 March 2020, it was announced that the reduction in the main rate to 17% would no longer proceed with the UK rate remaining at 19%. This change has yet to be substantively enacted and is therefore not reflected in these financial statements.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12. Tangible assets

| | Freehold Land and Buildings | Plant and Machinery | Fixtures, Fittings and Office Equipment | Motor Vehicles | Total |
|---|-----------------------------------|------------------------|--|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| As at 1 January 2019 | 7,399 | 6,350 | 4,766 | 24 | 18,539 |
| Additions | 4,501 | 142 | 149 | - | 4,792 |
| Disposals | - | (77) | - | - | (77) |
| As at 31 December 2019 | 11,900 | 6,415 | 4,915 | 24 | 23,254 |
| Accumulated depreciation | | | | | |
| As at 1 January 2019 | 2,417 | 5,275 | 4,032 | 24 | 11,748 |
| Charge for the year | 114 | 417 | 124 | - | 655 |
| Disposals | - | (39) | - | - | (39) |
| As at 31 December 2019 | 2,531 | 5,653 | 4,156 | 24 | 12,364 |
| Net book value at 31 December 2019 | 9,369 | 762 | 759 | - | 10,890 |
| Net book value at 31 December 2018 | 4,982 | 1,075 | 734 | - | 6,791 |

Freehold industrial land of £2,057,000 (2018: £2,057,000) has not been depreciated.

Depreciation is charged to cost of sales and administrative expenses.

13. Investments

| | 2019 £'000 | 2018 £'000 |
|--------------------------|---------------|---------------|
| Cost | | |
| As at 1 January | 1,668 | 1,668 |
| Additions | - | - |
| As at 31 December | 1,668 | 1,668 |
| Provision | | |
| As at 31 December | 1,604 | 1,604 |
| Net book value | | |
| As at 31 December | 64 | 64 |

14. Stock

| | 2019 £'000 | 2018 £'000 |
|------------------|---------------|---------------|
| Raw materials | 11,627 | 17,145 |
| Work in progress | 5,791 | 13,121 |
| Finished goods | 552 | 783 |
| | 17,970 | 31,049 |

Stocks are stated after provisions for impairment of £657,000 (2018: £275,000).

The value of stock in the balance sheet is not materially different from the replacement cost.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Debtors

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Trade debtors | 16 | 16 |
| Amounts owed by group undertakings | 60,934 | 76,863 |
| Amounts owed by related parties outside the JCB Service group | - | 19 |
| Corporation tax recoverable | 1,512 | - |
| Deferred tax | 3,072 | 3,070 |
| Other taxation and social security | 1,909 | - |
| Other debtors | 1,159 | 3,951 |
| Prepayments and accrued income | 168 | 301 |
| | 68,770 | 84,220 |

An impairment loss of £nil (2018: £nil) was recognised against trade debtors.

Of the amounts owed by subsidiary undertakings £9.7 million (2018: £25.6 million) are trading balances and do not gather interest. The remaining balance relates to loans bearing interest at 1.0% above bank base rate.

Deferred tax

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| As at 1 January | 3,070 | 3,057 |
| Deferred tax credited to the profit and loss account | 2 | 13 |
| As at 31 December | 3,072 | 3,070 |

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Difference between taxation allowances over depreciation on fixed assets | 915 | 807 |
| Tax losses available | 2,157 | 2,263 |
| | 3,072 | 3,070 |

The net decrease in deferred tax asset expected to occur next year is £231,000 relating to depreciation on fixed assets being higher than capital allowances.

16. Creditors: amounts falling due within one year

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Bank loans and overdrafts | 1,165 | 6,862 |
| Trade creditors | 8,890 | 17,560 |
| Amounts owed to group undertakings | 17,601 | 9,538 |
| Amounts owed to other related parties outside JCB Service group | 413 | 2,130 |
| Corporation tax | - | 6,323 |
| Other taxation and social security | 593 | 773 |
| Other creditors | - | 17 |
| Sales incentives | 5,623 | 5,516 |
| Accruals | 1,911 | 4,386 |
| | 36,196 | 53,105 |

The bank overdraft is repayable on demand.

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. Pension schemes

The company is a participating employer in two defined benefit schemes: J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit scheme. These schemes have a combined deficit of £291.5 million (2018: £250.1 million) calculated in accordance with FRS102. Details of these schemes are disclosed in the financial statements of JCB Service.

18. Provisions for liabilities

Warranty provision:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| As at 1 January | 4,486 | 4,379 |
| Charged to the profit and loss account | 4,792 | 4,320 |
| Amounts utilised during the year | (3,986) | (4,213) |
| As at 31 December | 5,292 | 4,486 |

It is expected that most warranty expenditure will be incurred in the next financial year, and nearly all will be incurred within two years of the balance sheet date. Included within other debtors (note 15) is an amount totalling £1,071,000 (2018: £988,000) representing amounts recoverable from suppliers.

19. Financial instruments

| | Note | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|---|------|---------------|---------------|---------------|---------------|
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 15 | 16 | | 16 | |
| - Amounts owed by group undertakings | 15 | 60,934 | | 76,863 | |
| - Amounts owed by related parties outside the JCB Service group | 15 | - | | 19 | |
| - Other debtors | 15 | 1,159 | | 3,951 | |
| | | | 62,109 | | 80,849 |
| Financial liabilities measured at amortised cost | | | | | |
| - Bank loans and overdrafts | 16 | 1,165 | | 6,862 | |
| - Trade creditors | 16 | 8,890 | | 17,560 | |
| - Amounts owed to group undertakings | 16 | 17,601 | | 9,538 | |
| - Amounts owed to related parties outside JCB Service group | 16 | 413 | | 2,130 | |
| - Other creditors | 16 | - | | 17 | |
| - Accruals | 16 | 1,911 | | 4,386 | |
| | | | 29,980 | | 40,493 |

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20. Called up share capital

| | 2019 £ | 2018 £ |
|---|------------|------------|
| Allotted, called up and fully paid up | | |
| 9,800 Ordinary A shares of 1 pence each (2018: 9,800 Ordinary A shares of 1 pence each) | 98 | 98 |
| 100 Ordinary B shares of 1 pence each (2018: 100 Ordinary B shares of 1 pence each) | 1 | 1 |
| 100 Ordinary C shares of 1 pence each (2018: 100 Ordinary C shares of 1 pence each) | 1 | 1 |
| | 100 | 100 |

The share capital of the company comprises A, B and C ordinary shares as set out above. Ordinary A shares give the holders the right to vote on all matters of the company, excluding those related to resolutions specific to certain assets of the company as defined in the articles of association. Ordinary B and C shares give the holders the right to vote only on resolutions specific to certain assets of the company as defined in the articles of association but not on any other resolutions related to the company.

Ordinary A shares are entitled to dividends from distributable reserves arising through the company's normal course of business but ordinary A shareholders are not entitled to dividends arising from the realisation of certain assets of the company as defined in the articles of association. Ordinary B and C shares are entitled to dividends from distributable reserves arising from the realisation of certain assets of the company as defined in the articles of association but not from distributable reserves arising through the company's normal course of business.

21. Reserves

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

Retained earnings – includes all current year and prior year retained profits and losses.

22. Contingent liabilities

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

23. Related party transactions

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

The company has sold parts to JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these sales was £nil (2018: £nil). The net amount owed to the company at 31 December 2019 by JCB Construction Equipment (Shanghai) Limited was £nil (2018: £19,000).

The company has also acquired parts from JCB Hong Kong Limited, a company that is ultimately controlled by Bamford family interests. The total value of these purchases was £20,547,000 (2018: £20,092,000). The net amount due to JCB Hong Kong Limited at 31 December 2019 was £399,000 (2018: £2,056,000).

The company subcontracts and provides research and development costs to JCB Research, a company in which Lord Bamford DL is the sole shareholder. The total value of services purchased by the company during the year was £685,000 (2018: £618,000). The net amount owed by the company at 31 December 2019 was £14,000 (2018: £74,000).

JCB Compact Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

24. Ultimate controlling party

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

25. Events after the reporting period

On 18 March 2020, the JCB Service Group took the decision to close the majority of its factories as a result of Covid-19 and as a result furloughed a proportion of its workforce under various Government schemes in the markets it operates in. The group has reopened the majority of its factories in May 2020. As this is considered only a temporary disruption, no asset impairments are deemed necessary.