

Annual Report and Financial Statements

of

JCB Finance (Leasing) Limited

Period Ended 31st December 2016

Registered Office
The Mill
High Street
Rocester
Staffordshire
ST14 5JW
Registration No: 2211998

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JCB FINANCE (LEASING) LIMITED

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JCB FINANCE (LEASING) LIMITED

Directors and Other Information

Directors	P Marrow (Chairman, resigned 12 May 2016)
	J D B Workman (Chairman, appointed 12 May 2016)
	J C E Bamford (resigned 17 November 2016)
	A P Gadsby
	J C Hall
	M Hargreaves
	R J Heldreich
	I J Isaac
	P R Jennings
	D G Powell
	R A M Winter (alternate to J C E Bamford, resigned 7 September 2016)
	D S Dolbear (appointed 7 September 2016)
Company Secretary	R J Heldreich
Auditors	Ernst & Young LLP Bristol United Kingdom BS1 6BX
Bankers	National Westminster Bank plc 41 Greengate Street Stafford ST16 2JD
Solicitors	Addleshaw Goddard 101 Barbirolli Square Manchester M2 3AB
Registered Office	The Mill High Street Rocester Staffordshire ST14 5JW
Company Registration Number	02211998

JCB FINANCE (LEASING) LIMITED

Strategic Report

For the 9 month period ended 31 December 2016

Activity

The principal activity of the company continues to be the provision of leasing facilities. The company is a subsidiary of The Royal Bank of Scotland 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 Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at rbs.com.

Business review and outlook

The directors are satisfied with the company's performance in the period. Having aligned the year end of this Company with its immediate parent, the Directors have decided to stop writing new business within the Company. All new business within the group is now written by JCB Finance Limited. As such the Company will continue to collect lease rentals due and honour all existing obligations as they fall due.

Financial performance

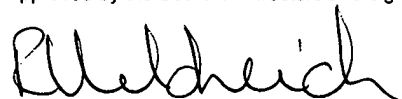
The profit on ordinary activities during the period before taxation was £1,046,236 (Year to 31 March 2016: £1,477,131). The tax expense for the period was £215,694 (Year to 31 March 2016: £288,435) which resulted in a profit of £830,542 being transferred to reserves (Year to 31 March 2016: £1,188,696). The Company paid a dividend of £12,500,000 during the period (Year to 31 March 2016: £ Nil).

The amount financed under all forms of agreements entered into during the period was £69,744 (Year to 31 March 2016: £8,707,836).

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 20 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.

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



R J Heldreich
COMPANY SECRETARY
6 September 2017

JCB FINANCE (LEASING) LIMITED

Directors' Report

For the 9 month period ended 31 December 2016

The directors present their annual report and the audited financial statements for the period ended 31 December 2016. The Strategic Report includes the review of the period and risk report.

Directors and secretary

The directors and secretary who have served throughout the period and subsequently, are listed below:

P Marrow (Chairman, resigned 12 May 2016)
J D B Workman (Chairman, appointed 12 May 2016)
J C E Bamford (resigned 17 November 2016)
A P Gadsby
J C Hall
M Hargreaves
R J Heldreich
I J Isaac
P R Jennings
D G Powell
R A M Winter (Alternate to J C E Bamford, resigned 7 September 2016)
D S Dolbear (appointed 7 September 2016)

The directors are not required to retire by rotation.

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 International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 these financial statements, International Accounting Standard 1 requires that directors:

- select suitable accounting policies and then apply them consistently;
- make judgments which are reasonable and prudent;
- state whether IFRS have 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.

JCB FINANCE (LEASING) LIMITED

Directors' Report (continued)

For the 9 month period ended 31 December 2016

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.

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

Policy and Practice on Payment of Creditors

The company follows the policy and practice on payment of trade creditors determined by The Royal Bank of Scotland 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 period as may be agreed.

There were no trade creditors of this company at either period end.

Going concern

In order to meet its financial liabilities, the Company is reliant on funding being available from its parent, and the parent's access to the ultimate group banking facilities when required, for a period of at least 12 months from the date of signing the financial statements. The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2016, approved on 23 February 2017 which were prepared on a going concern basis.

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



R J HELDREICH
COMPANY SECRETARY
6 September 2017

JCB FINANCE (LEASING) LIMITED

Independent Auditor's Report to the Member of JCB Finance (Leasing) Limited

For the 9 month period ended 31 December 2016

We have audited the financial statements of JCB Finance (Leasing) Limited for the period ended 31 December 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's member, 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 period for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.

Ernst & Young LLP

Andy Blackmore (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

26 September 2017

JCB FINANCE (LEASING) LIMITED

Income Statement

For the 9 month period ended 31 December 2016

	Notes	9 Months Ending Dec 2016 £	12 Months Ending Mar 2016 Restated* £
Continuing operations			
Revenue	2	7,435,471	9,652,613
Net operating charges	3	<u>(6,264,667)</u>	<u>(7,960,946)</u>
Operating profit	8	1,170,804	1,691,667
Finance costs	4	<u>(124,568)</u>	<u>(214,536)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,046,236	1,477,131
Tax expense on profit on ordinary activities	7	<u>(215,694)</u>	<u>(288,435)</u>
PROFIT FOR THE PERIOD		<u><u>830,542</u></u>	<u><u>1,188,696</u></u>

The only gains or losses in the current or prior year are included in the profit for the period as disclosed in the Income Statement above, therefore a statement of comprehensive income has not been presented.

* See note 22 for details of the prior period restatement

JCB FINANCE (LEASING) LIMITED

Statement of Changes in Equity

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 April 2015 as previously stated	50,000	14,839,453	14,889,453
Prior period restatement*	-	69,811	69,811
Balance at 1 April 2015 as restated	50,000	14,909,264	14,959,264
Profit for the year as restated	-	1,188,696	1,188,696
At 31 March 2016 - restated*	50,000	16,097,960	16,147,960
At 1 April 2016	50,000	16,097,960	16,147,960
Profit for the period	-	830,542	830,542
Dividend paid	-	(12,500,000)	(12,500,000)
At 31 December 2016	50,000	4,428,502	4,478,502

* See note 22 for details of the prior period restatement

JCB FINANCE (LEASING) LIMITED

Balance Sheet

At 31 December 2016

Company Registration Number: 02211998

	Notes	31 Dec 2016 £	31 Mar 2016 Restated* £	1 April 2015 Restated* £
NON-CURRENT ASSETS				
Property, plant and equipment	9	17,194,448	23,176,590	24,678,183
Finance lease receivables	17	8,027,070	9,895,550	11,520,419
		<u>25,221,518</u>	<u>33,072,140</u>	<u>36,198,602</u>
CURRENT ASSETS				
Inventories	10	44,163	293,500	57,757
Finance lease receivables	17	3,160,475	3,820,126	4,386,066
Other receivables	11	105,520	1,370,345	1,873,817
		<u>28,531,676</u>	<u>38,556,111</u>	<u>42,516,242</u>
TOTAL ASSETS				
CURRENT LIABILITIES				
Amounts owed to group undertakings	12	(21,290,334)	(17,008,234)	(21,771,672)
Trade and other payables	13	(2,745,333)	(5,110,365)	(5,324,482)
		<u>(24,035,667)</u>	<u>(22,118,599)</u>	<u>(27,096,154)</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	14	(17,507)	(289,552)	(460,824)
		<u>(24,053,174)</u>	<u>(22,408,151)</u>	<u>(27,556,978)</u>
TOTAL LIABILITIES				
NET ASSETS				
		<u>4,478,502</u>	<u>16,147,960</u>	<u>14,959,264</u>
EQUITY				
Share capital	15	50,000	50,000	50,000
Reserves	16	4,428,502	16,097,960	14,909,264
		<u>4,478,502</u>	<u>16,147,960</u>	<u>14,959,264</u>
TOTAL EQUITY				

* See note 22 for details of the prior period restatement

These financial statements were approved by the Board of Directors on 6 September 2017 and signed on its behalf by:



J D B WORKMAN
DIRECTOR



M HARGREAVES
DIRECTOR

JCB FINANCE (LEASING) LIMITED

Cash Flow Statement

For the 9 month period ended 31 December 2016

	Notes	9 Months Ending Dec 2016	12 Months Ending Mar 2016 <i>Restated*</i>
Operating activities		£	£
Profit before tax		1,046,236	1,477,131
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	9	3,364,770	4,530,361
Profit on sale of property, plant and equipment		<u>(200,774)</u>	<u>(540,985)</u>
Operating cash flow before changes in working capital		4,210,232	5,466,507
Decrease in finance lease receivables		2,528,131	2,190,809
Decrease in trade and other receivables		1,264,825	503,472
Tax expense for the period		(215,694)	(288,435)
Decrease in trade and other payables		(2,365,032)	(214,117)
Decrease in deferred tax liability		<u>(272,045)</u>	<u>(171,272)</u>
Net cash generated from operations		<u>5,150,417</u>	<u>7,486,964</u>
Investing activities			
Proceeds from disposal of property, plant and equipment		3,013,227	3,515,395
Acquisition of property, plant and equipment	9	<u>54,256</u>	<u>(6,238,921)</u>
Net cash generated (used) in operating activities		<u>3,067,483</u>	<u>(2,723,526)</u>
Finance activities			
Dividends paid in period		(12,500,000)	-
Increase (decrease) in loans from group undertakings		<u>4,282,100</u>	<u>(4,763,438)</u>
Net cash used in financing activities		<u>(8,217,900)</u>	<u>(4,763,438)</u>
Net movement in cash and cash equivalents		<u>-</u>	<u>-</u>
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at beginning of period		-	-
Net movement in cash and cash equivalents		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of period		<u>-</u>	<u>-</u>

* See note 22 for details of the prior period restatement

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements

For the 9 month period ended 31 December 2016

1. Accounting policies

(a) General information

JCB Finance (Leasing) Limited is a Company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is on page 3. The nature of the Company's principal activities are set out in the Strategic Report. The financial statements are presented in Sterling which is the functional currency of the Company. The Company considers itself to have a single operating segment and as such does not present segmental analysis in its financial statements.

(b) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS). The financial statements have also been prepared in accordance with IFRS's adopted for use in the European Union (EU).

The financial statements are prepared on a going concern basis, a review of which is set out in the Directors' Report. In order to meet its financial liabilities, the Company is reliant on funding being available from its parent, and the parent's access to the ultimate group banking facilities when required, for a period of at least 12 months from the date of signing the financial statements.

(c) Adoption of new and revised Standards

In the current period the Company has adopted the following standards which have become effective:

Amendments to IFRS 11 relating to accounting for acquisitions of interests in joint operations, amendments to IAS 16 and IAS 38 relating to clarification of acceptable methods of depreciation, amendments to IAS 16 and IAS 41 relating to Bearer Plants, amendments to IAS 27 relating to the equity method in separate financial statements, the Annual Improvements to IFRSs 2012-14 and amendments to IAS 1 relating to the disclosure initiative.

The adoption of these standards has not led to any changes in the Company's accounting policies.

At the date of authorisation of these financial statements the following International Financial Reporting Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

Amendments to IAS 7 relating to the disclosure initiative, amendments to IAS 12 relating to the recognition of deferred tax assets for unrealised losses, IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases'

The directors anticipate that the adoption of these standards, which is expected to be when adoption is mandatory, will have no material impact on the financial statements of the Company.

(d) Accounting convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law and International Financial Reporting Standards.

(e) Revenue recognition

Revenue from finance and operating leases are recognised in accordance with the Company's policies on leases (see (f) below). Revenue arises in the United Kingdom from continuing activities.

Revenue from the sale of previously leased assets transferred to inventory is recognised when assets are sold. Sales proceeds are recognised in revenue and the cost of inventory in net operating charges in accordance with IAS 2. Prior year comparatives have been amended to apply this presentation.

(f) Leases - 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 periods 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. 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.

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

1. Accounting Policies (cont'd)

(g) Impairment

Specific impairment provisions are made against amounts for which recovery is considered to be doubtful. Amounts are written off when there is no realistic prospect of recovery. A collective impairment provision is made in respect of losses which although not separately identified, is based on historical losses and reposessions and known from experience to be present in any portfolio of leasing assets.

(h) Property, plant and equipment

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

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

Operating Leases

Estimated useful life:
Term of contract

(i) 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.

(j) Trade and other payables

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

(k) 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 period. 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 period 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.

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

1. Accounting Policies (cont'd)

(l) Inventories

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

(m) Net operating charges

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

(n) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- provisions for bad and doubtful debts
- impairment of unguaranteed residual values

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

	9 Months Ending Dec 2016 £	12 Months Ending Mar 2016 Restated £
2. Revenue		
Finance leases	438,063	656,071
Operating leases	3,984,460	5,481,147
Sale of equipment	<u>3,012,948</u>	<u>3,515,395</u>
	<u><u>7,435,471</u></u>	<u><u>9,652,613</u></u>
3. Net operating charges		
Commission payable	(37,792)	52,861
Bad debt charge (write back)	(40,957)	154,326
Management fees	166,472	248,988
Operating lease depreciation	3,364,770	4,530,361
Carrying value of equipment sold	<u>2,812,174</u>	<u>2,974,410</u>
	<u><u>6,264,667</u></u>	<u><u>7,960,946</u></u>

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

	9 Months Ending Dec 2016 £	12 Months Ending Mar 2016 Restated £
4. Finance costs		
On loans and payables to group undertakings	<u>124,568</u>	<u>214,536</u>
5. Staff numbers and costs		
Employee costs are incurred by the immediate parent company, JCB Finance Limited, and allocated together with other overheads by way of a management charge to this subsidiary undertaking. The company employed no staff directly during the period (Year ended 31 March 2016 - nil).		
6. Emoluments of directors		
The Directors received no emoluments for services to the Company during the period. (Year ended 31 March 2016: £ Nil)		
7. Tax expense on profit on ordinary activities		
UK corporation tax - group relief payable	487,739	459,707
Deferred tax credit for the period	<u>(272,045)</u>	<u>(171,272)</u>
Tax expense for the period	<u>215,694</u>	<u>288,435</u>
Profit on ordinary activities before tax	<u>1,046,236</u>	<u>1,477,131</u>
Expected expense at 20% (31 March 2016: 20%)	209,247	295,426
Effect of change in tax rate	<u>6,447</u>	<u>(6,991)</u>
	<u>215,694</u>	<u>288,435</u>
8. Operating profit		
Operating profit for the period has been arrived at after charging:		
Operating lease depreciation	3,364,770	4,530,361
Fees payable to the Company's auditor for the audit of financial statements	<u>4,500</u>	<u>4,500</u>
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 auditor for non-audit services.		
	31 Dec 2016 £	31 Mar 2016 Restated £
9. Property, plant and equipment - operating leases		
Cost		
At beginning of period	34,566,605	36,231,324
Additions	(54,256)	6,238,921
Transfer to inventories	<u>(5,117,267)</u>	<u>(7,903,640)</u>
At end of period	<u>29,395,082</u>	<u>34,566,605</u>
Depreciation		
At beginning of period	11,390,015	11,553,141
Charge for the period	3,364,770	4,530,361
Transfer to inventories	<u>(2,554,151)</u>	<u>(4,693,487)</u>
At end of period	<u>12,200,634</u>	<u>11,390,015</u>
Net Book Value at end of period	<u>17,194,448</u>	<u>23,176,590</u>

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

	31 Dec 2016 £	31 Mar 2016 £
10. Inventories		
Used equipment	<u>44,163</u>	<u>293,500</u>
<p>The assets above represent end of lease equipment which is held for disposal rather than continuing use within the business. Assets are shown at the lower of carrying value and fair value less estimated costs to sell. The assets are expected to be sold within the next 12 months directly by the company.</p>		
11. Other receivables		
Amounts falling due within one year:		
Other taxation recoverable	-	469,299
Prepayments and accrued income	<u>105,520</u>	<u>901,046</u>
	<u>105,520</u>	<u>1,370,345</u>
12. Amounts owed to group undertakings		
Amounts falling due within one year	<u>21,290,334</u>	<u>17,008,234</u>
13. Trade and other payables		
Amounts falling due within one year:		
Group relief payable	487,739	459,707
Other taxation payable	345,466	-
Rentals received in advance	1,826,741	4,475,469
Accruals and deferred income	<u>85,387</u>	<u>175,189</u>
	<u>2,745,333</u>	<u>5,110,365</u>
	31 Dec 2016 £	31 Mar 2016 Restated £
14. Deferred taxation		
(a) The deferred tax liability provided in the financial statements is made up as follows:		
Accelerated capital allowances	(17,507)	(309,211)
Other timing differences	<u>-</u>	<u>19,660</u>
	<u>(17,507)</u>	<u>(289,552)</u>
(b) The movements on the balance for deferred taxation are as follows:		
Opening balance	(289,552)	(460,824)
Credited to income statement	<u>272,045</u>	<u>171,272</u>
Closing balance	<u>(17,507)</u>	<u>(289,552)</u>
<p>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 Finance (No2) Act 2015, which provides for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 was substantively enacted on 26 October 2015. Furthermore the Finance Act 2016 was substantively enacted on 15 September 2016 and provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020.</p>		
15. Share capital	31 Dec 2016 £	31 Mar 2016 £
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called-up and fully paid:		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

	31 Dec 2016	31 Mar 2016 <i>Restated</i>
	£	£
16. Reserves		
Retained earnings		
At beginning of period	16,097,960	14,926,175
Dividend paid	(12,500,000)	-
Retained profit for period	<u>830,542</u>	<u>1,171,785</u>
At end of period	<u><u>4,428,502</u></u>	<u><u>16,097,960</u></u>

	Year in which receipt is expected			
	<1 year	1 to 5 years	> 5 years	Total
	£	£	£	£
17. Finance lease receivables - December 2016				
Future minimum lease payments	3,648,915	7,267,388	434,757	11,351,060
Unguaranteed residual values	1,646	275,541	-	277,187
Unearned finance income	(373,836)	46,693	2,691	(324,452)
Present value	<u>3,276,725</u>	<u>7,589,622</u>	<u>437,448</u>	<u>11,303,795</u>
Impairment provisions	<u>(116,250)</u>	<u>-</u>	<u>-</u>	<u>(116,250)</u>
Net carrying value	<u><u>3,160,475</u></u>	<u><u>7,589,622</u></u>	<u><u>437,448</u></u>	<u><u>11,187,545</u></u>
Finance lease receivables - March 2016				
Future minimum lease payments	3,585,274	7,982,386	961,383	12,529,043
Unguaranteed residual values	120,640	270,991	5,500	397,131
Unearned finance income	271,420	604,475	70,815	946,710
Present value	<u>3,977,334</u>	<u>8,857,852</u>	<u>1,037,698</u>	<u>13,872,884</u>
Impairment provisions	<u>(157,208)</u>	<u>-</u>	<u>-</u>	<u>(157,208)</u>
Net carrying value	<u><u>3,820,126</u></u>	<u><u>8,857,852</u></u>	<u><u>1,037,698</u></u>	<u><u>13,715,676</u></u>

The fair value of finance lease receivables is considered not to be materially different to the carrying amounts in the balance sheet.

	Year in which receipt is expected			
	<1 year	1 to 5 years	> 5 years	Total
	£	£	£	£
18. Operating lease receivables - December 2016				
Future minimum lease payments	<u>4,054,936</u>	<u>4,650,321</u>	<u>49,469</u>	<u>8,754,726</u>
Operating lease receivables - March 2016				
Future minimum lease payments	<u>4,368,258</u>	<u>6,519,549</u>	<u>54,814</u>	<u>10,942,621</u>

19. Commitments and contingencies

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

There were no capital commitments at either period end.

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

20. 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 as disclosed in notes 15 and 16. The Company is a member of the Royal Bank of Scotland 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 IAS 39, is disclosed in the following table:

	31 Dec 2016 £	31 Mar 2016 £
Financial assets		
Loans and receivables	11,187,545	13,715,676
Other financial assets	105,520	1,370,345
	<u>11,293,065</u>	<u>15,086,021</u>
Financial liabilities		
Amortised cost	21,290,334	17,008,234

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

Risk management

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

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 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 12 & 13.

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. Finance lease receivables are funded primarily through balances owed to group undertakings. This funding is due primarily on demand whereas the repricing profile of the assets of the Company will be over a longer period of time. This results in the Company having exposure to interest rate risk, though this would be offset elsewhere within the Group.

If floating interest rates had been 0.5% higher or lower, and all other variables were held constant, the Company's profit for the period would not have changed as the inter company loan is at fixed rates.

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

20. Financial instruments and risk management (cont'd)

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.

Analysis of credit quality by credit grade (see below for definitions):

	31 Dec 2016	31 Mar 2016
	£	£
Finance lease receivables		
- AQ 1 to 3	10,845,475	13,320,012
- AQ 4	62,661	154,181
- AQ 5	<u>279,409</u>	<u>241,483</u>
	<u>11,187,545</u>	<u>13,715,676</u>
The impairment movement in the period is as follows:		
At start of period	157,208	-
Additional charges made during the period	-	174,232
Amounts utilised or recovered	<u>(40,958)</u>	<u>(17,024)</u>
At end of period	<u>116,250</u>	<u>157,208</u>

Any trade and other receivables not detailed above are within the credit grade AQ1 and there is no provision for impairment.

The analysis of credit quality by quality grade represents the maximum exposure to credit risk excluding past due and non accruing loans. Assets are graded according to the following:

Asset quality grade	Number of instalments past due	Probability of default (PD)
AQ1	Up to date	< = 0.2%
AQ2	No more than one	> 0.2% and <= 0.6%
AQ3	One to two	> 0.6% and <= 1.5%
AQ4	Two to three	> 1.5% and <= 5.0%
AQ5	More than three or legal proceedings taken	> 5.0%

Analysis of assets past due but not impaired:

No more than one payment	157,180	1,410,590
One to two payments	32,610	154,181
Two to three payments	62,661	5,700
More than three payments or legal proceedings taken	<u>142,830</u>	<u>40,175</u>
	<u>395,281</u>	<u>1,610,646</u>

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

	31 Dec 2016 £	31 Mar 2016 £
20. Financial instruments and risk management (cont'd)		
Credit risk (cont'd)		
Analysis of impaired assets past due:		
No more than one payment	-	27,600
One to two payments	-	-
Two to three payments	-	64,746
More than 3 payments or legal proceedings taken	136,579	130,862
	<u>136,579</u>	<u>223,208</u>

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 JCB Finance 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.

21. Related party transactions

The Company's immediate parent and ultimate controlling party is described in note 23. The table below details significant balances and transactions with group undertakings. Transactions with JCB Finance Limited relate to intercompany funding and management charges.

	Opening Balance £	Receipts / (Payments) £	Interest Due £	Closing Balance £
JCB Finance Limited	17,008,234	4,157,532	124,568	21,290,334

There is an outstanding group relief payable of £487,739 (31 March 2016: £459,707) due to JCB Finance Limited.

Expenses of £166,472 (Year ended 31 March 2016: £248,988) were paid by other members of the group and then recharged to the Company by way of management charges.

No emoluments were paid to any director by the Company during the period (Year ended 31 March 2016: Nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (Year ended 31 March 2016: Nil).

22. Prior period adjustment

The residual value is an accounting estimate of the value of an asset at the end of the lease period. This is estimated by the company at inception of the lease and may differ from the future value of the asset at the end of the contract. Regular re-estimates are made by management of this future value based on current market conditions and the results are compared to the existing accounting residual value of the asset. IAS 16 requires that the RV is set based on the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. In accordance with IAS 16 management have revised the way in which certain tranches of assets are valued, to align the valuation with the requirement of the standard.

The financial statements of 31 March 2016 and 1 April 2015 have been restated to correct this error. The effect of the restatements on those financial statements is summarised below:

JCB FINANCE (LEASING) LIMITED

Notes to the Financial Statements (continued)

For the 9 month period ended 31 December 2016

22. Prior period adjustment (continued)

	Effect on 12 months ended 31 Mar 2016	
	£	
Decrease in depreciation	48,242	
(Increase) in tax expense	(9,407)	
Increase in profit	<u>38,835</u>	
	Effect on 31 March 2016	Effect on 1 April 2015
	£	£
Increase in property, plant and equipment	134,964	86,722
(Increase) in deferred tax liabilities	<u>(26,318)</u>	<u>(16,911)</u>
Increase in equity	<u>108,646</u>	<u>69,811</u>

23. Ultimate Parent undertaking

The Company is a subsidiary undertaking of JCB Finance Limited, a company incorporated in Great Britain.

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government

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

The Royal Bank of Scotland Group plc
36 St Andrews Square
Edinburgh
EH2 2YB.

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ.