Item Number: ______________
(for Comm Ct use only)

# AGENDA COORDINATION FORM
# Bexar County Commissioners Court

Type of Agenda Item (Choose one): Ceremonial ☐ Special Presentation ☐ Time Certain ☐ Consent ☐ Individual ☒

Sponsoring Office/Department: Economic Development Recipient Agency / Individual Name:

Contact Person: Jordana Mathews Phone Number: 335-7052 Court Date Requested: March 26, 2023

Presenter: David Marquez Phone Number: 335-0661 Deadline for Action: March 26, 2023

Audio / Visual Presentation: Y ☒ N ☐ PowerPoint? Y ☒ N ☐ ADA Assistance Required (type): No

Official/Department Head Signature: DLE Marquez

Small, Minority, Women-owned Business Enterprise (SMWBE): Impact: Y ☐ N ☒

**CAPTION:**
Presentation, discussion and appropriate action regarding an Incentive Application submitted by JCB Manufacturing, Inc.

**ESTIMATED PRESENTATION TIME:** 10 Minutes

**BACKGROUND:**
On June 6, 2023, Bexar County received an Incentive application from JCB manufacturing, Inc, the worlds largest privately-owned manufacturer of construction, agricultural and industrial equipment. In this new project JCB anticipates staffing 1,580 team members and includes $265.7 million in new capital investment.

Staff will be recommending:

- 10 year/100% tax abatement on real and personal property investments. Using the investment numbers provided, the incentive value is estimated at $6,493,779.
- Skill Development Grant of up to $250,000 based on 250 new jobs paying at least $28.01 an hour or $58,260.80 annually, excluding benefits, bonuses, and commissions; $1,000 for each that are created and filled within the first two years of operation.
- Public Infrastructure Grant of up to $5,000,000 for off-site public infrastructure improvements.
- Chapter 381 Economic Development Grant to be paid over 2-3 years to reimburse the rollback for its ag exempt status.
- Nomination to the TX FAME board and reserved training slots.
- The estimated value over the term of the incentive is $11,743,779.

**RECOMMENDED MOTION:**
Direct staff to negotiate a Tax Abatement, Skills Development Grant, Public Infrastructure Grant and Chapter 381 Economic Development Grant with JCB Manufacturing, Inc.

Item Number: ________________
(For PRM use only)

**FISCAL ASSESSMENT: APPLICABLE** Yes ☐ No ☒ Fiscal Note ☐

| | | | |
|---|---|---|---|
| 1 | Is this a revenue or expense? | Revenue ☐ | Expense ☐ |
| 2 | Dollar amount of revenue or expense associated with item? | See comment | |
| 3 | Is this a budgeted revenue or expense? | Yes ☐ | No ☐ |
| 4 | Does this item require additional staff? | Yes ☐ | No ☐ |
| 5 | Will this increase your current budget? | Yes ☐ | No ☐ |
| 6 | Impact on future Budget? If Yes, Explain in Comments. | Yes ☐ | No ☐ |
| | | | |
| 7 | Current End-of-Year Expenditure Estimate-for impacted Object Code(s)? | | |
| 8 | If an expense, what is the current Object Code budget amount? | | |
| 9 | If an expense, are sufficient funds currently budgeted in the Object Code? | Yes ☐ | No ☐ |
| 10 | If an expense, are sufficient funds currently budgeted in the Appropriation | Yes ☐ | No ☐ |
| | | | |
| 11 | List impacted offices or departments or note if countywide: | | |
| 12 | Company: | | |
| 13 | Accounting Unit / Account Category: | | |
| 14 | Activity: | | |
| | | | |
| 15 | If this is a grant, what is the estimated amount of program income? | | |
| 16 | If this is a grant, what is the amount of Grantor funding? | | |
| 17 | If this is a grant, what is the required County cash match? | | |
| 18 | If this is a grant, what is the required County in-kind/allocation match? | | |
| 19 | If this is a grant, was item approved by the Grant Review Committee? | Yes ☐ | No ☐ |
| | | | |
| 20 | Comments: This item approves the discussion, presentation, and appropriate action of a Tax Abatement, Skills Development Grant, and Public Infrastructure Grant with JCB Manufacturing, Inc. Upon approval of this item, a separate item will go to Court with the appropriate fiscal assessment.<br><br>There is no fiscal impact associated with the approval of this item at this time. | | |
| 21 | Coordinated by: Jordana Mathews | Verified By: Ashlee Garibay 11/21/2023 | |

# JOINT INCENTIVE APPLICATION

*Effective as of January 1, 2023*

## COMPANY INFORMATION

Legal name of company seeking incentive (Applicant): JCB Inc.

Applicant headquarters address: 2000 Bamford Blvd. City: Pooler State: GA Zip: 31322-9504
Country: United States of America

Website: www.jcb.com

Applicant officer name: Richard Fox-Marrs Phone: 912.447.2000 Email: richard.fox-marrs@jcb.com

Primary contact for application: Name: Richard Fox-Marrs Title: North America President & CEO

Phone: 912.447.2000 Email Address: richard.fox-marrs@jcb.com

Is Applicant a franchise? ☐ Yes ☒ No Is Applicant a subsidiary? ☒ Yes ☐ No

Name of parent company (if applicable): J.C.B. Service

State of Formation: Maryland Ownership: ☒ Private ☐ Public

Does the company have authority to do business in Texas? ☒ Yes ☐ No

Check applicable documents indicating authority to do business in Texas from the Texas Secretary of State:

☒ Articles of Incorporation
☐ Assumed Name Certificate
☐ Certificate of Formation
☒ Certificate of Existence or Status
☐ Other _______

Business structure (i.e., Limited Liability Company (LLC), Partnership, Corporation): Corporation

## PROJECT DETAILS

Proposed project address: 13610 SH 16 S City: San Antonio, TX 78224 Zip:

County precinct: 1 City Council district: 4 School district: Southwest ISD

Was the Applicant referred by Greater SATX, site selector, consultant, etc.? ☒ Yes ☐ No
If yes, by whom: greater:SATX

Check all that apply:

☐ New Business / Start-up
☐ Open New Location
☐ Expansion
☒ Relocation from Out-of-State
☐ Relocation within Bexar County or City of San Antonio
☐ Consolidation or Relocation *(jobs being moved from area outside of Bexar County)*
From: _______
☐ None Apply

Describe the project, including capital improvements (real and personal property) to be undertaken, the facility's use, and the product or service to be produced.

TX SKY is the world's largest privately-owned manufacturer of construction, agricultural and industrial equipment. From its U.S. headquarters in Savannah, Georgia, and at 22 other manufacturing facilities in the United Kingdom, China, India, and Brazil, TX SKY manufactures a range of more than 300 products for customers in 150 countries. This project will serve as an expansion of its existing North American Manufacturing footprint. The facility will produce equipment that is currently produced in the UK and India, to bring their product closer to the consumer and create capacity within those facilities. This facility will produce Telescopic Handlers, and two variants of Aerial Work Platforms. This facility is projected to produce 15,000 units in year one and 33,000 units in year 2 and 3. TX SKY anticipates staffing with 1,580 team members and ~$265.7 million in new capital investment.

☒ New construction ☐ Expansion ☐ Lease improvements

Does/will the Applicant own or lease the proposed project's real property? ☒ Own ☐ Lease
If owned, indicate date of acquisition:
If leased:

- Indicate the landlord/owner.
- Indicate lease term. Years Expiration date: / /

Project industry:

☒ Advance Manufacturing
☐ Bioscience Anchors & Catalysts
☐ Corporate Services
☐ IT Security & Infrastructure
☐ Mobility
☐ Sustainable Energy
☐ Other NAICS Code: 423830

Company NAICS code:

Explain how the proposed San Antonio project and operations would fit into the applicant company's existing operations (if applicable). This project will serve as an expansion of our existing North American Manufacturing footprint.

List other communities that are being considered for the project location (if applicable).
Savannah, GA

Why is an incentive necessary for the project to succeed financially?
The competing site is currently owned by TX SKY and would not require the same level of capital investment required to launch the project in Texas. The State of Georgia and City of Savannah have been aggressive with their proposal and incentives are strong around job creation with the state offering $36M for jobs created and tax credit savings. The state has also agreed to an additional $22M in recruiting support. The city has provided an infrastructure grant in the amount of $10.5M. The total support provided under the Georgia Incentive program is currently $125M. An incentive is needed to strengthen the business case of a Texas facility over a Georgia expansion.

List any incentives sought or received from other taxing entities in connection with this project.
TX SKY will pursue the Texas Enterprise Fund, Texas Enterprise Zone designation, In-State Tuition, the Skills Development fund grant, and any other programs for which the project may qualify.

Has the applicant company previously received an incentive from Bexar County or from the City of San Antonio? ☐ Yes ☒ No
If yes, explain: N/A

- Indicate the time period (MM/YY): /
- Is/was the applicant company in compliance with all terms and conditions: ☐ Yes ☐ No

Does an elected, appointed, or employed member of any taxing entity presently own any interest in this project, applicant company, or parent company? ☐ Yes ☒ No
If yes, explain: N/A

Does an employee or official of Bexar County or of the City of San Antonio presently own any interest in this project, applicant company, or parent company? ☐ Yes ☒ No
If yes, explain: N/A

Will any other entity be financially involved with the proposed project?
List each participating entity:

Is the applicant company delinquent in the payment of *ad valorem* taxes to any taxing unit located in Bexar County?
☐ Yes ☒ No If yes, explain: N/A

## INVESTMENT INFORMATION (U.S. Dollars)

Will this project result in any direct residential displacement[1]? ☐ Yes ☒ No
Indicate estimated improvement values for proposed project:
Real property: $153,000,000 Personal property: $132,800,000

Indicate intended schedule of investment:

| | Real Property Investment |
|---|---|
| Year 1 (2023) | $28,100,000 |
| Year 2 (2024) | $54,900,000 |
| Year 3 (2025) | $46,000,000 |
| Year 4 (2026) | $4,000,000 |
| Year 5 (2027) | $0 |

| | Personal Property Investment |
|---|---|
| Year 1 (2023) | $0 |
| Year 2 (2024) | $29,000,000 |
| Year 3 (2025) | $45,000,000 |
| Year 4 (2026) | $25,900,000 |
| Year 5 (2027) | $24,700,000 |

Note: Please attach file(s) if additional space is needed.

List existing Bexar Appraisal District tax account numbers associated with the proposed project.

Real property: 04005 - 000 - 0136 ; 04005 - 000 - 0318 ; 04005 - 000 - 0137

Personal property: - - ; - - ; - -

## JOB WAGE AND BENEFITS INFORMATION

Total global workforce: Full-time: 15,000 Part-time: Seasonal:

[1] Direct residential displacement means one or more occupied and habitable households will be required to permanently move for the proposed development at the specified location.

Total national workforce: Full-time: 1,026 Part-time: Seasonal:

Current Bexar County workforce: Full-time: N/A Part-time: N/A Seasonal: N/A

For Bexar County expansion projects only, indicate the number of full-time jobs to be retained: N/A

Indicate the minimum number of new[2], full-time jobs to be created at project site (total): 1,580 with the lowest base hourly wage being $21.81, as requested below.

| | Number of new full-time jobs created per year |
|---|---|
| Year 1 (2023) | 0 |
| Year 2 (2024) | 0 |
| Year 3 (2025) | 0 |
| Year 4 (2026) | 0 |
| Year 5 (2027) | 995 |

Note: Please attach file(s) if additional space needed.

Indicate the base hourly wage for new full-time employees at project site (excluding benefits, bonuses, commissions, and other non-guaranteed wages):[3]

If applying for the City of San Antonio Incentive Program*, fill out the following:

| Hourly Wage | $17.50 - $20.54/hr | $20.55 - $24.99/hr | $25.00 – $29.99/hr | $30,00 – $34.99/hr | $35.00 - $39.99/hr | $40.00 - $44.99/hr | $45.00/hr or higher |
|---|---|---|---|---|---|---|---|
| Number of full-time employees | 0 | 644 | 702 | 54 | 82 | 60 | 38 |
| Number to be filled by relocated workers | | | | | | | |

*For City of San Antonio, 90% of all employees must earn a minimum of $20.54 an hour, and no employee can earn less than $17.50/hr at project site.

If applying for Bexar County Incentive Program**, fill out the following:

| Hourly Wage | Below $15.43/hr | $15.43 - $18.25/hour | $18.25 - $32.57/hour | Above $32.58/hour |
|---|---|---|---|---|

[2] These jobs must not simply relocate current employees from within the San Antonio Metropolitan Statistical Area. A permanently contracted job will not be considered a "new job."

[3] All new and existing employees must meet specific wage requirements. Please refer to the City of San Antonio Economic Development Tax Abatement Guidelines for full details. www.sanantonio.gov/edd

| | | | | |
|---|---|---|---|---|
| Number of full-time employees | 0 | 0 | 1398 | 182 |
| Number to be filled by relocated workers | | | | |

**For Bexar County, 100% of employees must earn a minimum of $15.43 an hour and after one full year of operations, 70% of all employees at project site must earn $18.25 an hour. To be eligible for a Skill Development Grant, employee must be earning a minimum of $32.58 an hour.

Indicate the average annual salary for full-time existing jobs (if applicable): $N/A

Indicate the average annual salary for new full-time jobs at proposed project site (projected): $54,888.73

Indicate the average annual salary for all full-time jobs at proposed project site (existing and new): $54,888.73

Indicate the number of new full-time jobs within the following annual salary ranges.[4].

| | |
|---|---|
| $53,400 - $80,099 | 259 |
| $80,100 - $88,109 | 38 |
| $88,110 - $98,789 | 23 |
| $98790 - $104,129 | 2 |
| $104,130 + | 36 |

[4] The City's Economic Development Incentive Fund (EDIF) Program requires a certain annual salary range per job grant. Please refer to City of San Antonio Economic Development Chapter 380 Policy for full details. www.sanantonio.gov/edd

Describe the benefits package that will be offered to employees and their dependents (or attach benefits summary, including paid time off policy). JCB goes above and beyond in providing comprehensive benefits to its employees. The company offers an extensive range of benefits, including health, dental, vision, 401(k), life insurance, long-term disability, and short-term disability. To ensure employees have access to quality healthcare, JCB subsidizes health and dental coverage by an average of 60%. Additionally, the company fully funds life insurance, long-term disability, and short-term disability plans, demonstrating its commitment to supporting employees in times of need. Furthermore, JCB is dedicated to helping employees secure their financial futures by offering a generous 401(k) program. The company provides a matching contribution of 50 cents for every dollar an employee contributes, up to 6% of their salary. This comprehensive benefits package showcases JCB's dedication to the well-being and financial security of its workforce.

All companies receiving City of San Antonio tax abatements or grants will be required to dedicate 10% of their abatement or rebate value per year into a dedicated spending account. All dedicated funds must be expended on training, transit, or childcare for their firm's employees. The City's Tax Abatement Guidelines define eligible uses of dedicated funds. Will this proposed project commit to this requirement?
☒ Yes ☐ No

All companies receiving City of San Antonio tax abatements or grants must commit to utilizing local, certified S/M/W/VBE companies for a minimum of 10% of all construction costs (both hard and soft) associated with the proposed project. Will this project commit to this requirement? ☒ Yes ☐ No

Indicate the utility requirements, including estimated water/sewer, energy and broadband usage for the proposed project site upon operation: The facility expects to consume around 600,000 gallons of water per

## ATTACHMENTS

month and generate approximately 640,000 gallons of wastewater. The facility will require an electricity supply of 5MW, or 2,900,000 kilowatt-hours. Additionally, the facility will consume about 62,100 CCF of natural gas each month.

☒ Descriptive information regarding the applicant company, including financial statement and/or annual report, entity status, and organization chart identifying affiliates and subsidiaries.

☒ Metes and bounds, field notes, and/or a site survey showing the location of existing and proposed improvements.

☒ City of San Antonio's Discretionary Contracts Disclosure form, which can be found at:

https://www.sanantonio.gov/eforms/atty/ContractsDisclosureForm.pdf

Companies must submit non-refundable application fees submitted in the form of a cashier's check or money order with their respective applications based upon the following schedules. Select "County of Bexar" if applying for Bexar County incentive only or select "City of San Antonio" if applying for City only incentive. Select both if applying for both City and County incentives.

☑ County of Bexar:

| Applicant Fee Criteria | Fee |
|---|---|
| Companies without Bexar County operations | $1,000 |
| Companies with existing Bexar County operations | $500 |

☑ City of San Antonio:

| Incentive Type | Fee |
|---|---|
| Tax Abatement | $2,500 |
| Chapter 380 EDIF Assistance | $2,500 |

If an entity is foreign-based and we are required to engage a third party to conduct a background check, the City may charge the Applicant a fee to cover such charges up to $2,500.00, after providing Applicant written notice. If an Agreement has not been finalized within six (6) months of application, the City may terminate a pending application at its sole discretion. Any submission of a subsequent application following such a termination will require another application fee for consideration of the application.

## CERTIFICATION

I understand and certify that I have read the County of Bexar's and the City of San Antonio's current incentive policies and guidelines. Tax Abatement Guidelines relate to the County of Bexar General Fund and to the City of San Antonio General Fund *ad valorem* taxes. Chapter 380 EDIF Assistance refers to the City of San Antonio Economic Develop Incentive Fund funded in the City's General Fund Budget. I am familiar with the provisions contained therein, and that the information provided in this application may become a part of an incentive agreement with the County of Bexar and/or with the City of San Antonio. I also certify that I am authorized to sign this application, that the information provided herein is true and correct, and that knowingly providing false information will result in voiding the application and the termination of any incentive agreement.

Signature: Richard Fox-Marrs Date (MM/DD/YY): 6 / 27 / 23

Printed Name: Richard Fox-Marrs Title: North America President & CEO

Applicant Company Name: JCB Manufacturing, Inc.

Mailing Address: 2000 Bamford Blvd.

City: Pooler State: GA Zip: 31322-9504

Telephone: (912) 447-2000 Mobile: (912) 447-2000 E-mail address: richard.fox-marrs@jcb.com

18987

**greater:SATX**
112 E. Pecan Street, Suite 2635
San Antonio, TX 78205
(210) 226-1394

**Bank of America**
ACH R/T 111000025
32-2/1110

06/22/2023

PAY TO THE ORDER OF City of San Antonio $ **5,000.00

Five thousand and 00/100*************************************************************************************** DOLLARS

City of San Antonio
Finance Department
PO Box 60
San Antonio, TX 78291-0060

MEMO

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈018987⑈ ⑆111000025⑆ 005772219087⑈

**greater:SATX**

18987

**06/22/2023** **City of San Antonio**

| Date | Type | Reference | Original Amount | Balance Due | Payment |
|---|---|---|---|---|---|
| 06/22/2023 | Bill | TX Sky | 5,000.00 | 5,000.00 | 5,000.00 |
| | | | Check Amount | | 5,000.00 |

18988

**greater:SATX**
112 E. Pecan Street, Suite 2635
San Antonio, TX 78205
(210) 226-1394

**Bank of America**
ACH R/T 111000025
32-2/1110

06/22/2023

PAY TO THE ORDER OF County of Bexar $ **1,000.00

One thousand and 00/100************************************************************************************ DOLLARS

County of Bexar
Economic Development Department
101 W. Nueva, Suite 944
Texas
San Antonio, TX 78205

MEMO

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈018988⑈ ⑆111000025⑆ 005772219087⑈

**greater:SATX**

18988

**06/22/2023** **County of Bexar**

| Date | Type | Reference | Original Amount | Balance Due | Payment |
|---|---|---|---|---|---|
| 06/22/2023 | Bill | TX Sky | 1,000.00 | 1,000.00 | 1,000.00 |
| | | Check Amount | | | 1,000.00 |

# Contract Disclosure Form

# CITY OF SAN ANTONIO

## Contracts Disclosure Form

Please print completed form and submit with
proposal to originating department. All questions must be answered.

For details on use of this form, see Section 2-59 through 2-61 of the City's Ethics Code.

*This is a: (●) New Submission ( ) Correction ( ) Update to previous submission

### *1) Name of person submitting this disclosure form.

| * First | M.I. | * Last | Suffix |
|---|---|---|---|
| Richard | W | Fox-Marrs | |

### *2) Contract Information

**a) Contract or Project Name:**

Project Texas Sky

**b) Originating Department:**

Economic Development

### *3) Disclosure of parties, owners, and closely related persons.

**a) Name of individual(s) or entity(ies) seeking a contract with the city. (NOTE: Give exact legal name as it will appear on the contract, if awarded.)**

| Name |
|---|
| JCB Inc. |

**b) Name and title of contract signatory**

| Name | Title |
|---|---|
| Richard Fox-Marrs | President & CEO, JCB Inc. |

**c) Name of all owners, board members, executive committee members, and officers of entities listed in question 3a.**

| Type | Name |
|---|---|
| Owner | Lord Anthony Bamford |

| | |
|---|---|
| Board Member | Alice Bamford |
| Officer of Entity | Graeme Macdonald |
| Officer of Entity | Richard Fox-Marrs |
| Officer of Entity | Christopher Giorgianni |

## *4) List any individual(s) or entity(ies) that is a partner, parent, joint venture, or subsidiary entity(ies) of the individual or entity listed in Question 3.

☐ **Not applicable. Contracting party(ies) does not have partner, parent, joint venture, or subsidiary entities.**

☑ **Names of partner, parent, joint venture or subsidiary entities, and all the owners, board members, executive committee members, and officers of each entity:**

| Type | Name |
|---|---|
| Parent | J.C.B. Service |

**Names of owners, executive committee members, officers, partners, and directors:**

| Type | Name |
|---|---|
| Owner | Lord Anthony Bamford |

## *5) List any individuals or entities that will be subcontractors on this contract.

☐ **Not applicable. No subcontractors will be retained for this contract.**

☑ **Subcontractors may be retained, but have not been selected at the time of this submission.**

☐ **List of subcontractors, including the name of the owner(s), and business name:**

## *6) List any attorneys, lobbyists, or consultants retained by any individuals listed in Questions 3, 4, or 5 to assist in seeking this contract.

☑ **Not applicable. No attorneys, lobbyists, or consultants have been retained to assist in seeking this contract.**

☐ **List of attorneys, lobbyists, or consultants retained to assist in seeking this contract:**

## *7) Disclosure of political contributions.

List any campaign or officeholder contributions made by the following individuals in the past 24 months to any current member of City Council, former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections:

a. any individual seeking contract with the city (Question 3)
b. any owner or officer of entity seeking contract with the city (Question 3)
c. any individual or owner or officer of an entity listed above as a partner, parent, or subsidiary business (Question 4)
d. any subcontractor or owner/officer of subcontracting entity retained for the contract (Question 5)
e. the spouse of any individual listed in response to (a) through (d) above
f. any attorney, lobbyist, or consultant retained to assist in seeking contract (Question 6)

☑ **Not applicable. No campaign or officeholder contributions have been made in preceding 24 months by these individuals.**

☐ **List of contributions:**

## Updates on Contributions Required

Information regarding contributions must be updated by submission of a revised form from the date of the submission of this form, up through the time City Council takes action on the contract identified in response to Question 2 and continuing for 30 calendar days after the contract has been awarded.

## Notice Regarding Contribution Prohibitions for "High-Profile" Contracts

Under Section 2-309 of the Municipal Campaign Finance Code , the following listed individuals are prohibited from making a campaign or officeholder contribution to any member of City Council, candidate for City Council or political action committee that contributes to City Council elections from the 10th business day after a contract solicitation has been released until 30 calendar days after the contract has been awarded:

a. Any individual seeking a high-profile contract;
b. Any owner, officer, officer of board, and executive committee member of an entity seeking a high-profile contract, excluding board officers and executive committee members of 501(c)(3), 501(c)(4) and 501(c)(6) non-profit organizations not created or controlled by the City whose board service is done strictly as a volunteer with no financial compensation and no economic gain from the non-profit entity;
c. The legal signatory of the high-profile contract;
d. Any attorney, lobbyist or consultant hired or retained to assist the individual or entity in seeking a high-profile contract;
e. Subcontractors hired or retained to provide services under the high-profile contract; and
f. Any first-degree member of the household of any person listed in (1), (2), (3) or (5) of this subsection.

**Penalty.** A high-profile contract cannot be awarded to the individual or entity if a prohibited contribution has been made by any of these individuals during the contribution "black-out" period, which is the 10th business day after a solicitation has been released until 30 calendar days after the contract has been awarded.

## *8) Disclosure of conflict of interest.

Are you aware of any fact(s) with regard to this contract that would raise a "conflict of interest" issue under Sections 2-43 or 2-44 of the City Ethics Code for any City Council member or board/commission member that has not or will not be raised by these city officials?

☑ **I am not aware of any conflict(s) of interest issues under Section 2-43 or 2-44 of the City Ethics Code for members of City Council or a city board/commission.**

☐ **I am aware of the following conflict(s) of interest:**

## *9) Prohibited Interest in Contracts.

Currently, or within the past twelve (12) months, have you, your spouse, sibling, parent, child or other family member within the first degree of consanguinity or affinity served on a City board or commission?

☑ **No**

☐ **Yes**

Currently, or within the past twelve (12) months, has an owner, partner or employee of a business entity in which you, your spouse, parent, child own 10% or more of the voting stock or shares, or 10% or more of the fair market value served on a City board or commission?

☑ **No**

☐ **Yes**

Currently, or within the past twelve (12) months, has an owner, partner, or employee of a business entity who owns 10% or more of the voting stock or shares, or 10% or more of the fair market value, that will be a subcontractor for this contract, served on a City board or commission?

☑ **No**

☐ **Yes**

## Notice Regarding Prohited Interest in Contracts.

Please be aware, the City's Charter and Ethics Code prohibits members of certain more-than-advisory boards and commissions, as well as their close family members and any businesses they or their families hold a 10% or greater ownership interest from obtaining a contract with the City during their board or commission service. The prohibition extends to subcontracts on City contracts, and would also apply to parent, subsidiary or partner businesses owned by the member of the board or commission and their family. Please see Section 141 of the City Charter and Section 2-52 of the City Ethics Code (Prohibited Interests in Contracts) for complete information.

Former members of certain more-than-advisory boards and commissions, their family members and the businesses they own will continue to be prohibited from obtaining any discretionary contracts for one year after leaving City service. Please see Section 2-58 of the City Ethics Code (Prohibited Interest in Discretionary Contracts) for complete information.

Please note that any contract in place at the time the applicant becomes a City officer may remain in effect, but cannot be amended, extended, modified, or changed in any manner during the officer's City service on the more-than-advisory board.

If you have any questions, please contact the Office of the City Attorney to request to speak with a member of the Ethics staff: (210) 207-8940

## Acknowledgements

***1. Updates Required**

☑ I understand that this form must be updated by submission of a revised form if there is any change in the information before the discretionary contract, housing and retail development incentive, or the purchase, sale,or lease of real estate to or from the City is the subject of action by the City Council, and no later than 5 business days after any change has occurred, whichever comes first. This includes information about political contributions made after the initial submission and up until 30 calendar days after contract has been awarded.

***2. No Contact with City Officials or Staff during Contract Evalution**

☑ I understand that a person or entity who seeks or applies for a city contract or any other person acting on behalf of that person or entity is prohibited from contacting city officials and employees regarding the contract after a Request for Proposal (RFP), Request for Qualification (RFQ), or other solicitation has been released.

This no-contact provision shall conclude when the contract is posted as a City Council agenda item. If contact is required with city officials or employees, the contact will take place in accordance with procedures incorporated into the solicitation documents. Violation of this prohibited contacts provision set out in Section 2-61 of the City Ethics Code by respondents or their agents may lead to disqualification of their offer from consideration.

***3. Contribution Prohibitions for "High-Profile" Contracts**

◉ **This is not a high-profile contract.**

○ **This is a high-profile contract.**

***4. Conflicts of Interest Questionnaire (CIQ)**

Chapter 176 of the Local Government Code requires all contractors and vendors to submit a Conflict of Interest Questionnaire Form (CIQ) to the Office of the City Clerk, even if contract is not designated as "High Profile".

☑ I acknowledge that I have been advised of the requirement to file a CIQ form under Chapter 176 of the Local Government Code.

## *Oath

☑ I swear or affirm that the statements contained in this Contracts Disclosure Form, including any attachments, to the best of my knowledge and belief are true, correct, and complete.

| *** Your Name:** | **Title:** |
|---|---|
| Richard Fox-Marrs | President & CEO, JCB Inc. |

*** Company Name or DBA:**

JCB Inc.

**Date:**

6/27/2023

Please print completed form and submit with
proposal to originating department. All questions must be answered.
If necessary to mail, send to:
Purchasing
P.O. Box 839966
San Antonio, Texas 78283-3966

# Jobs & Investment

| New Full Time Jobs Created by Year | Sum of # of Jobs | Average Annual Wage |
|---|---|---|
| **2027** | **995** | **$ 59,688.70** |
| Executive / Management / Admin. | 151 | $ 91,748.34 |
| Production - Assembly, Materials, Paint, Specialists, and Maintenance | 844 | $ 53,952.91 |
| **2028** | **585** | **$ 46,724.67** |
| Production - Assembly, Materials, Paint, Specialists, and Maintenance | 585 | $ 46,724.67 |
| **Grand Total** | **1580** | **$ 54,888.73** |

# APPENDIX C – INDICATIVE INVESTMENT OVERVIEW

| CASH FLOW | Value (USD) | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| LAND | $ 20.0 M | $ 20.0 M | | | | | |
| DESIGN FEES | $ 3.8 M | $ 3.8 M | | | | | |
| SITE PREPARATION | $ 8.5 M | $ 4.3 M | $ 4.3 M | | | | |
| FACTORY BUILDINGS | $ 80.3 M | | $ 48.2 M | $ 28.1 M | $ 4.0 M | | |
| EXTERNAL YARDS | $ 16.3 M | | $ 2.4 M | $ 13.8 M | | | |
| ROADS AND CAR PARKS | $ 3.0 M | | | $ 3.0 M | | | |
| LANDSCAPING | $ 0.6 M | | | $ 0.6 M | | | |
| OFFICE FIT-OUT | $ 0.5 M | | | $ 0.5 M | | | |
| GOODS IN | $ 2.4 M | | $ 1.3 M | $ 0.7 M | $ 0.4 M | | |
| SITE SERVICES | $ 6.1 M | | $ 1.8 M | $ 4.3 M | | | |
| ASSEMBLY & MATERIALS | $ 29.3 M | | $ 16.1 M | $ 8.8 M | $ 4.4 M | | |
| OFFTRACK | $ 3.3 M | | $ 1.8 M | $ 1.0 M | $ 0.5 M | | |
| DESPATCH | $ 0.6 M | | | $ 0.2 M | $ 0.4 M | | |
| PAINT | $ 40.0 M | | $ 8.0 M | $ 30.0 M | $ 2.0 M | | |
| IT INFRASTRUCTURE | $ 10.0 M | | | | $ 10.0 M | | |
| MANUFACTURING | $ 41.1 M | | | | $ 8.2 M | $ 24.7 M | $ 8.2 M |
| TOTAL & CASH FLOW | $ 265.6 M | $ 28.0 M | $ 83.9 M | $ 91.0 M | $ 29.9 M | $ 24.7 M | $ 8.2 M |

1. *Site development – constrained to the process only – not indicative of full image
2. *Requires bottom-up costing in the USA market – top level cost estimates only

# Site

# FOR SALE
## ±227.28 ACRE DEVELOPMENT SITE

13610 State Highway 16 S    San Antonio, TX 78224

partners

PARTNERSREALESTATE.COM


## PROPERTY FEATURES

- ±227.28 gross acres. A portion of the property is in the 100 year flood plain.
- Located in San Antonio on State Highway 16 S (at the corner of Palto Alto Rd. and S. Zarzamora) between Loop 410 and Loop 1604 near the Toyota Manufacturing Plant.
- Zoning: MI-1 by the City of San Antonio.
- Utilities: Please have an independent Civil Engineer verify.
- Comments: Excellent industrial development tract in south San Antonio near the Toyota Manufacturing Plant, located in San Antonio's Far South Opportunity Zone.

**SALES PRICE:** Contact Broker

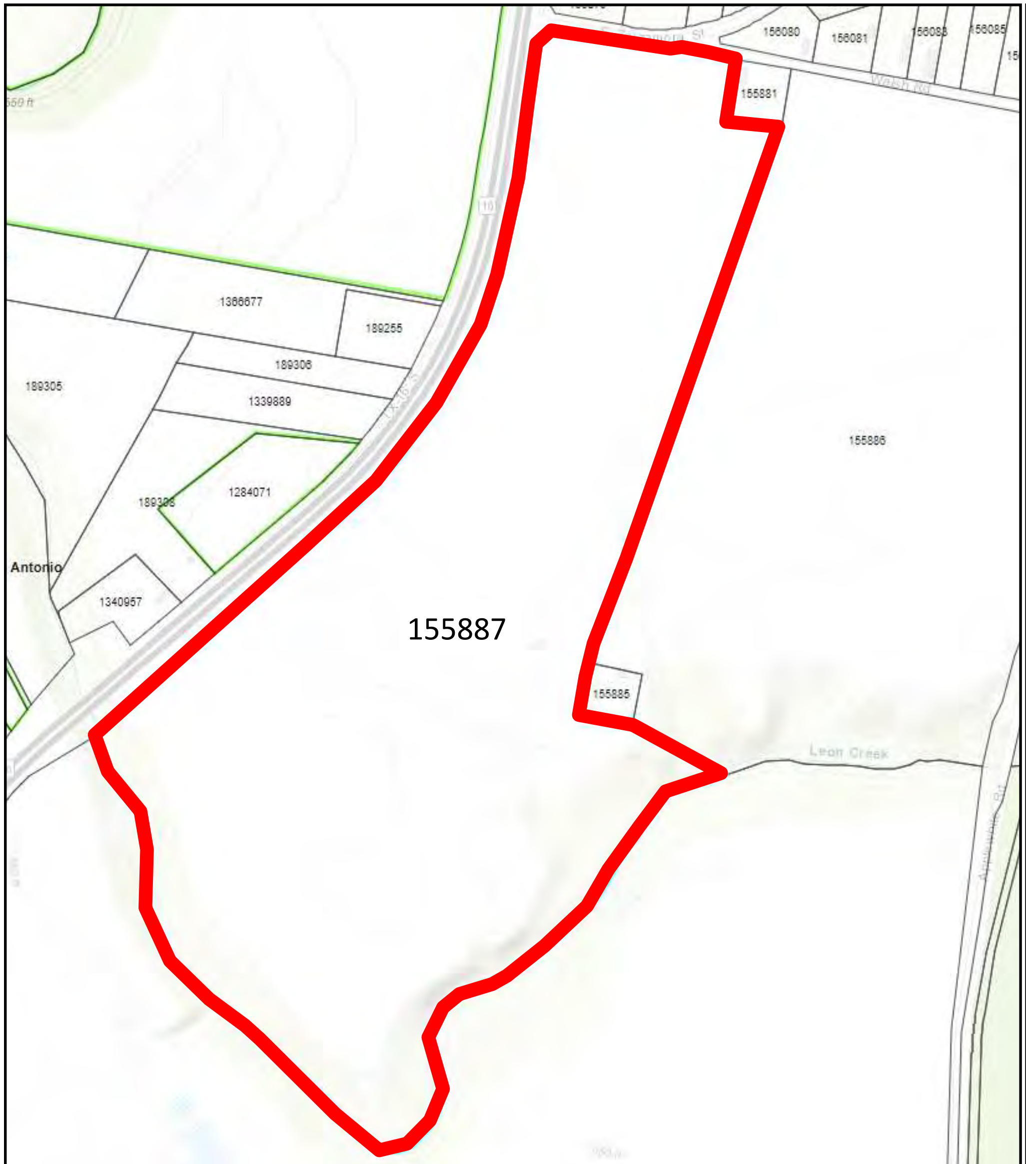
**PHIL CRANE, CCIM**
PARTNER
tel 210 289-3620
phil.crane@partnersrealestate.com

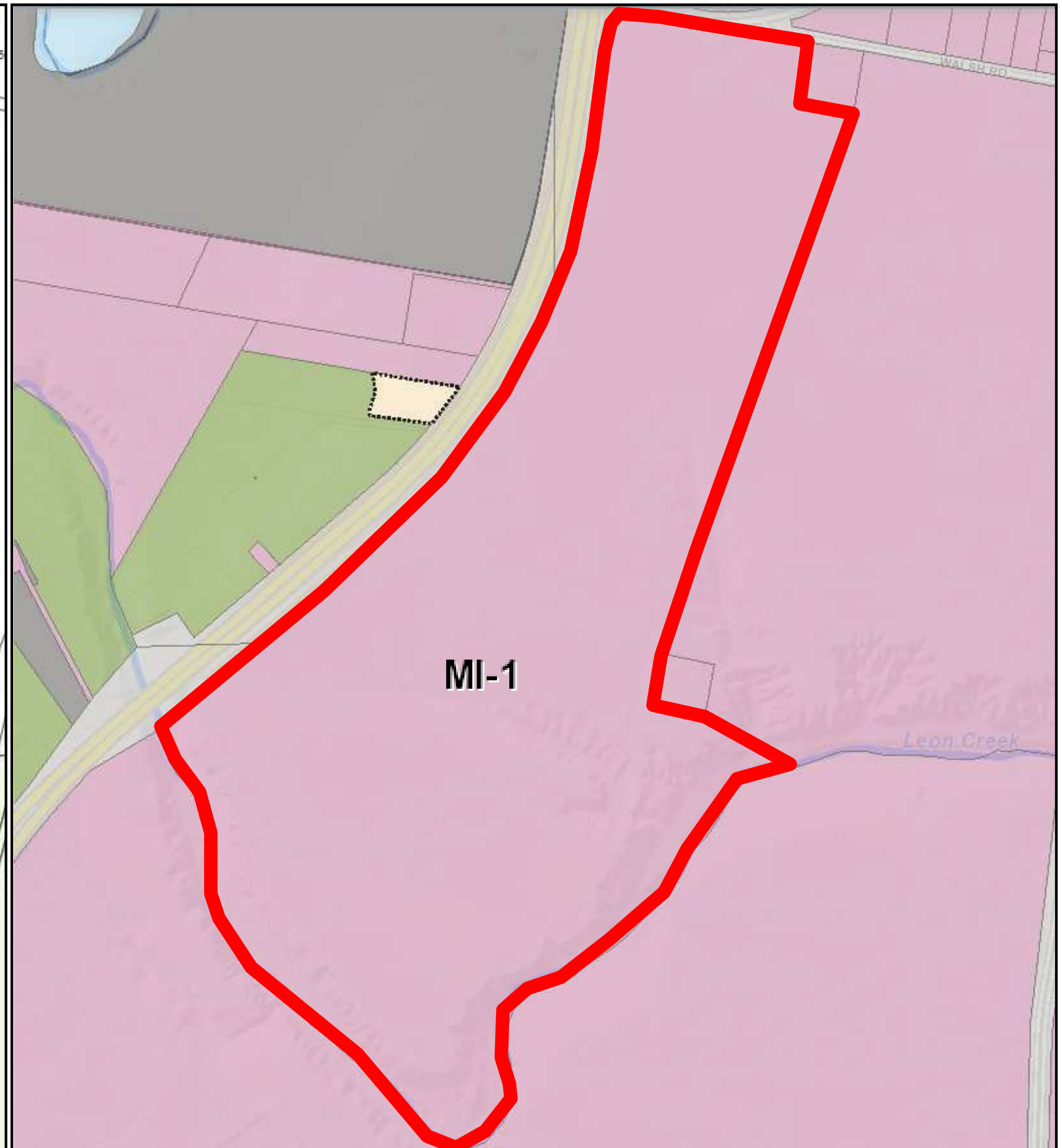
# FOR SALE
## ±227.28 ACRE DEVELOPMENT SITE

13610 State Highway 16 S  San Antonio, TX 78224

partners

PARTNERSREALESTATE.COM





**PHIL CRANE, CCIM**
PARTNER
tel 210 289-3620
phil.crane@partnersrealestate.com

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## ±227.28 ACRE DEVELOPMENT SITE

partners

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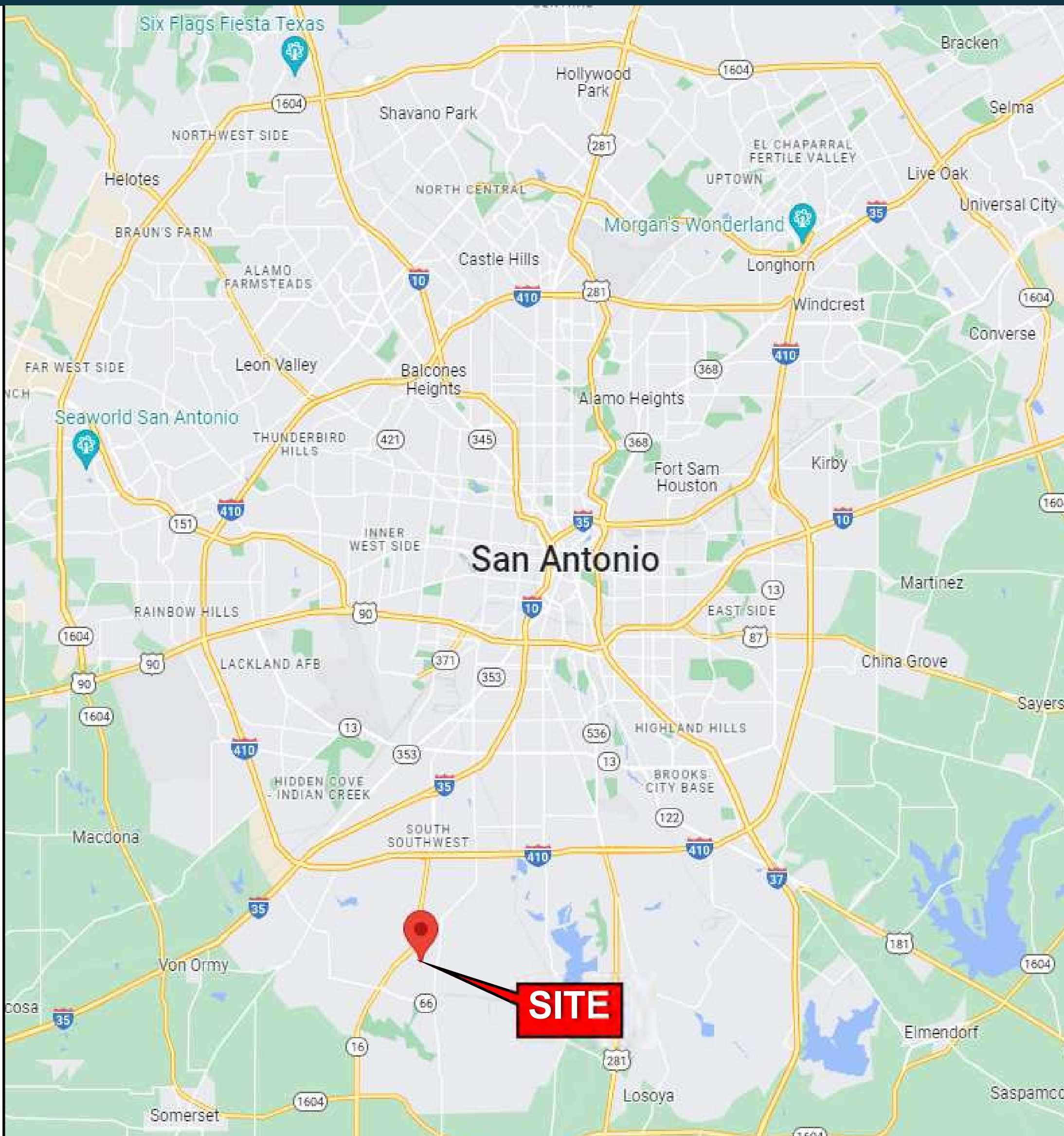
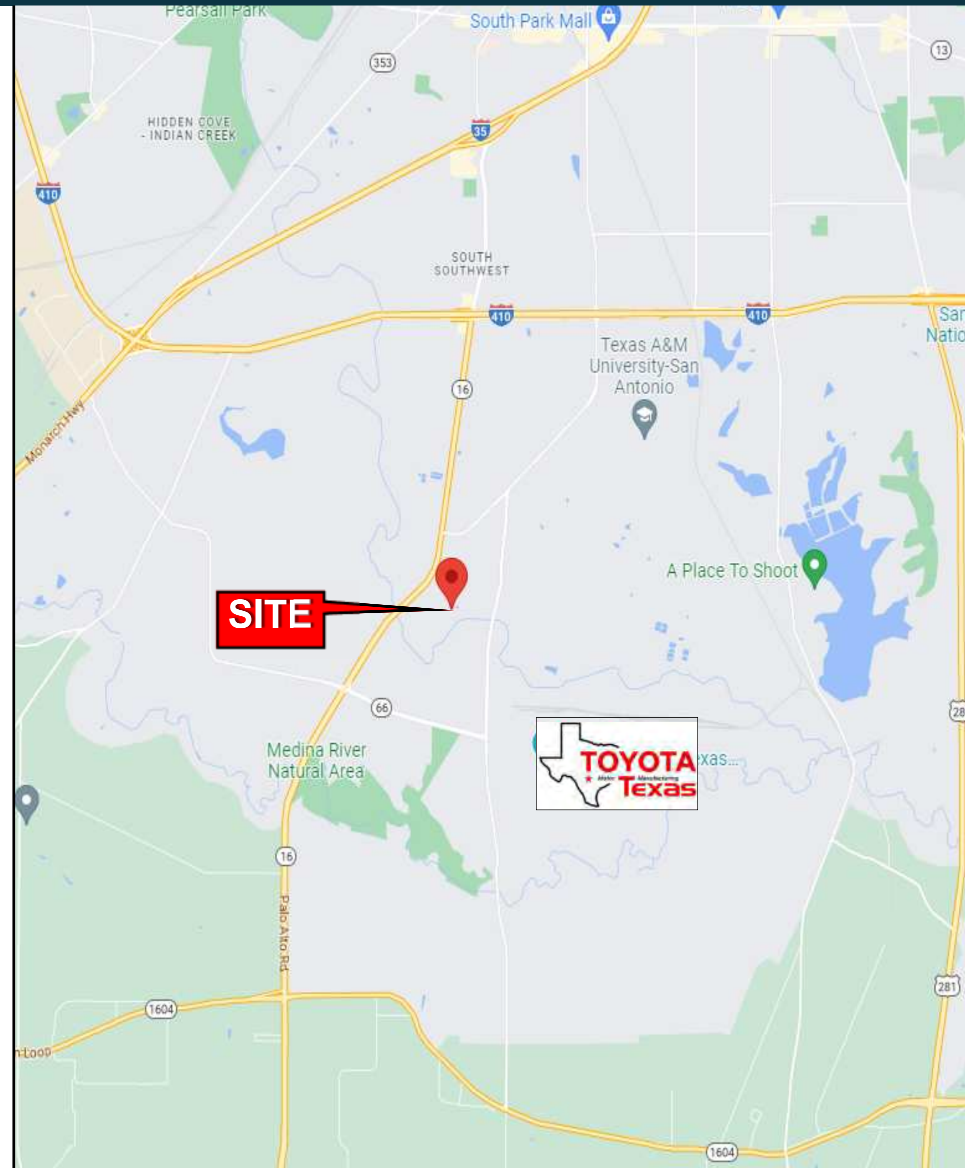
**PARTNERSREALESTATE.COM**





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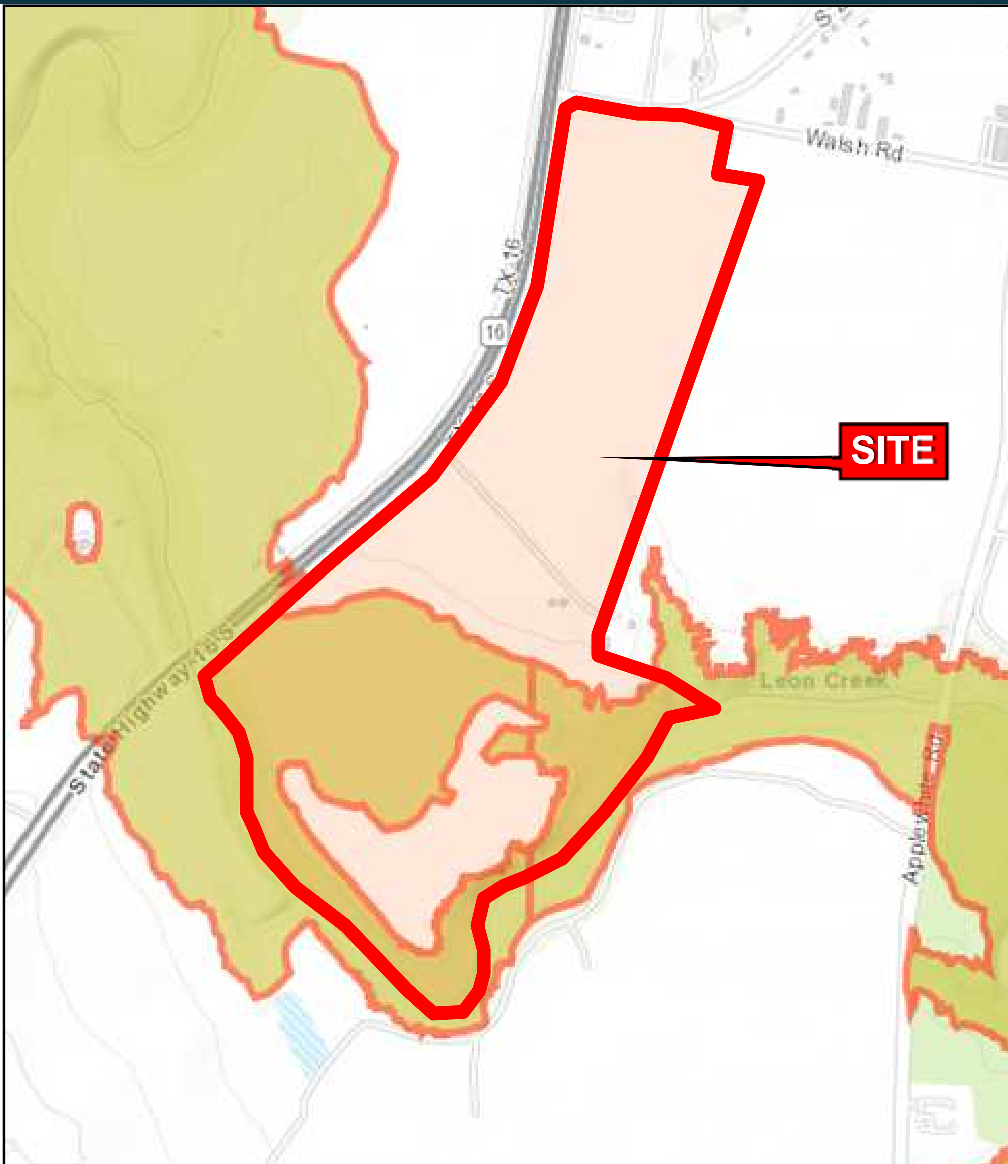


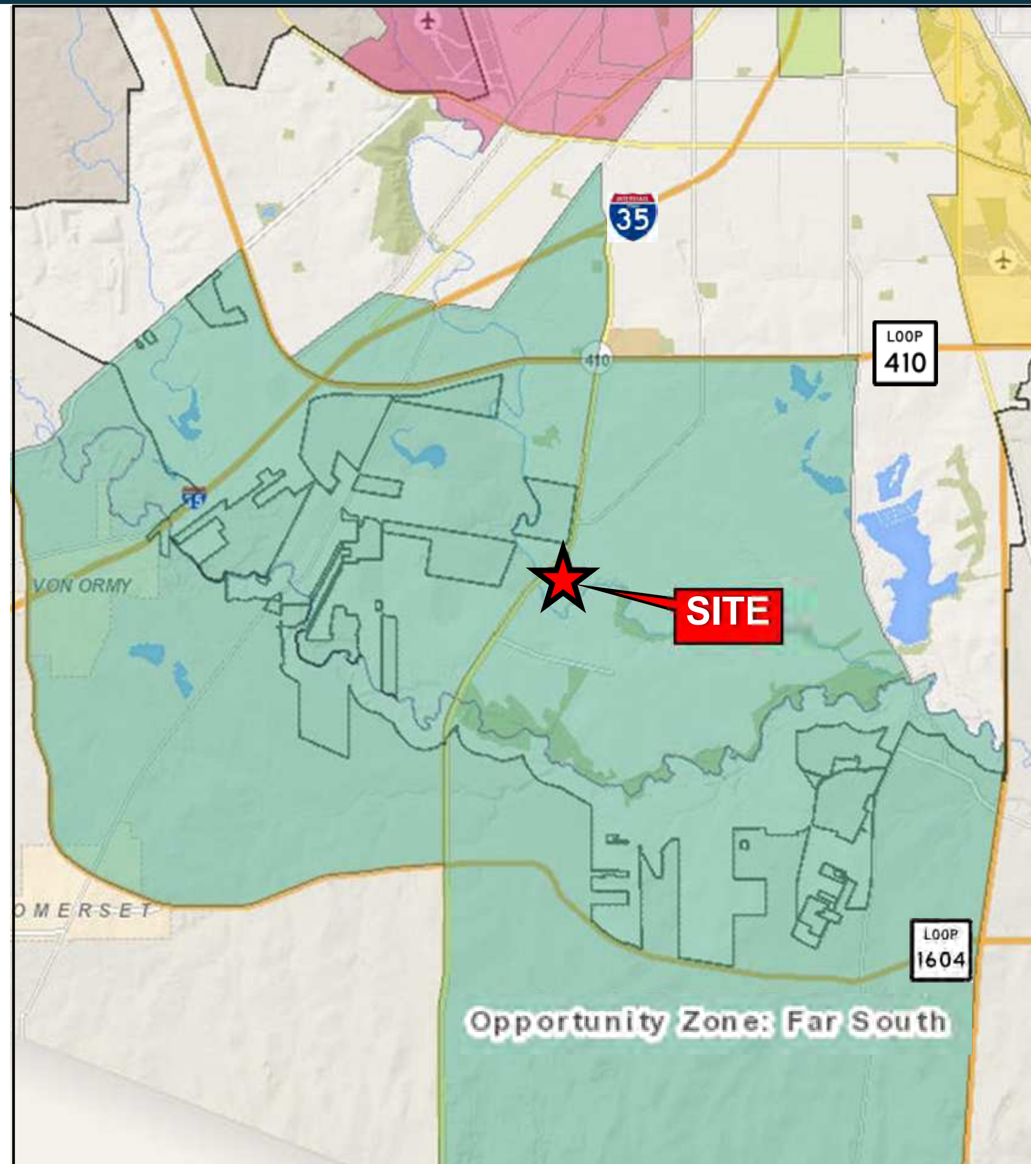



**PHIL CRANE, CCIM**
PARTNER
tel 210 289-3620
phil.crane@partnersrealestate.com

FOR SALE

# ±172.64 ACRE DEVELOPMENT SITE

13610 State Highway 16 S San Antonio, TX 78224

partners

PARTNERSREALESTATE.COM


## PROPERTY FEATURES

- ±172.64 gross acres. A portion of the property is in the 100 year flood plain.
- Located in San Antonio on State Highway 16 S (at the corner of Applewhite Rd. and S. Zarzamora St./Walsh Rd.) between Loop 410 and Loop 1604 near the Toyota Manufacturing Plant.
- Zoning: MI-1 by the City of San Antonio.
- Utilities: Please have an independent Civil Engineer verify.
- Comments: Excellent industrial development tract located in south San Antonio in San Antonio's Far South Opportunity Zone.

**SALES PRICE:** Contact Broker


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FOR SALE
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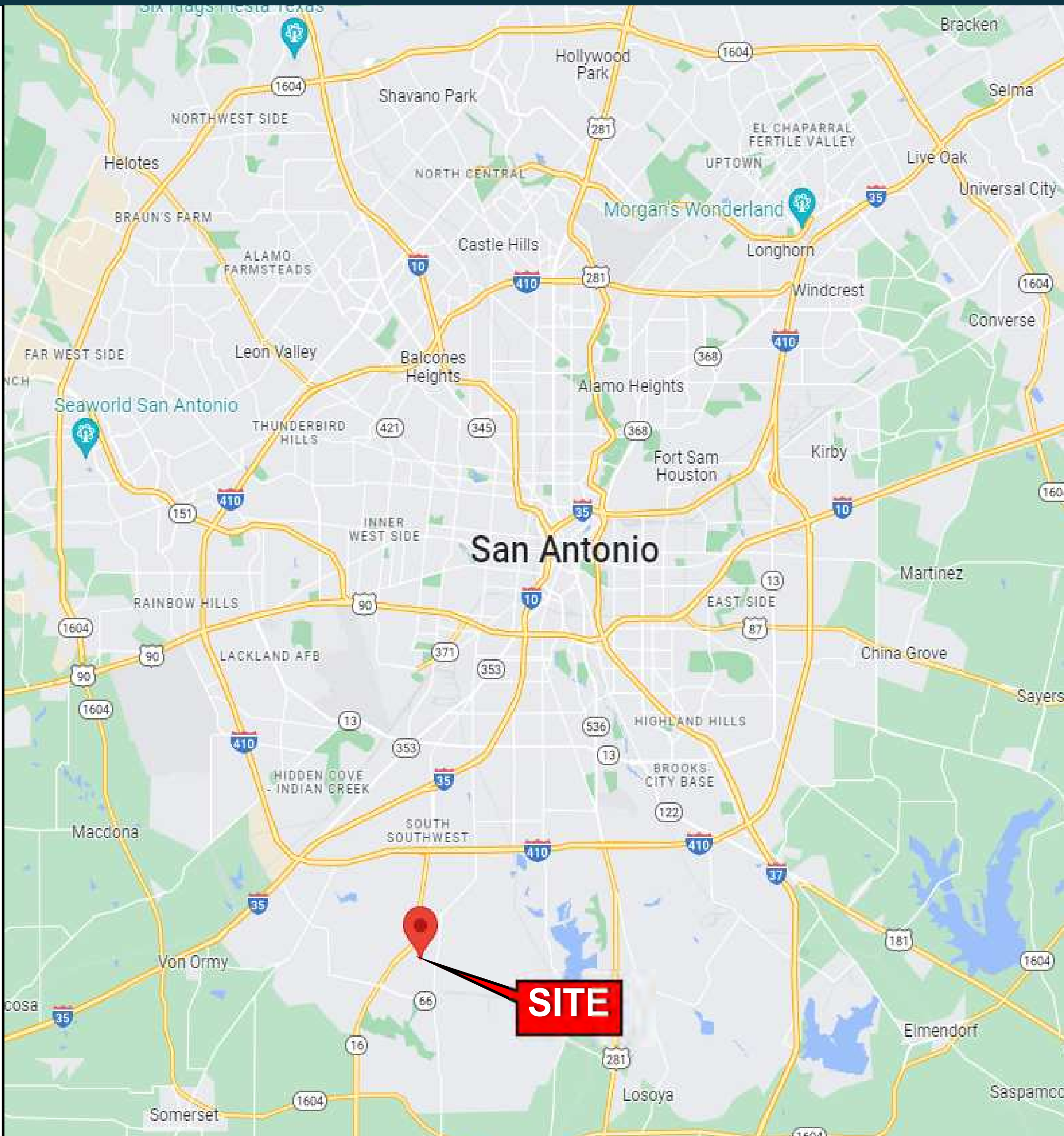


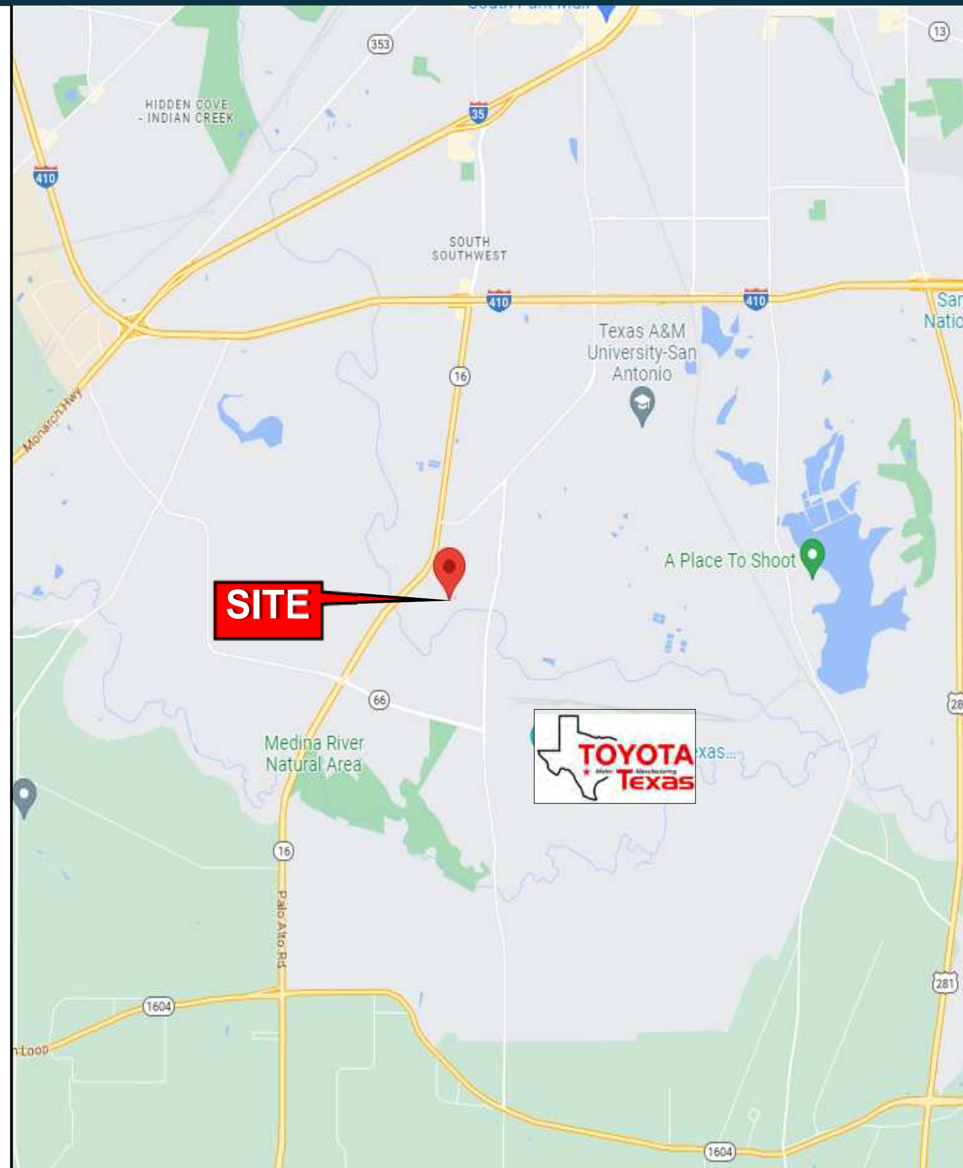



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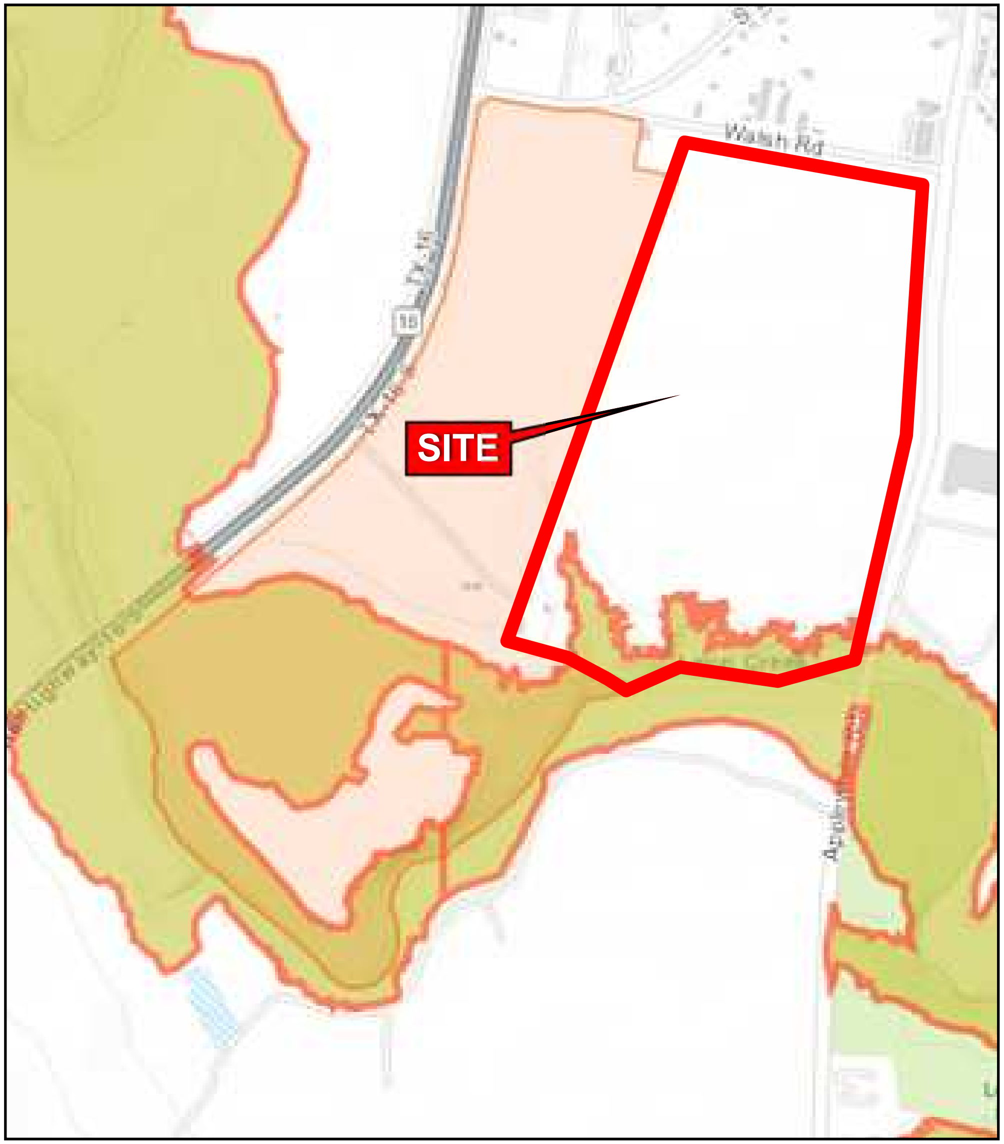


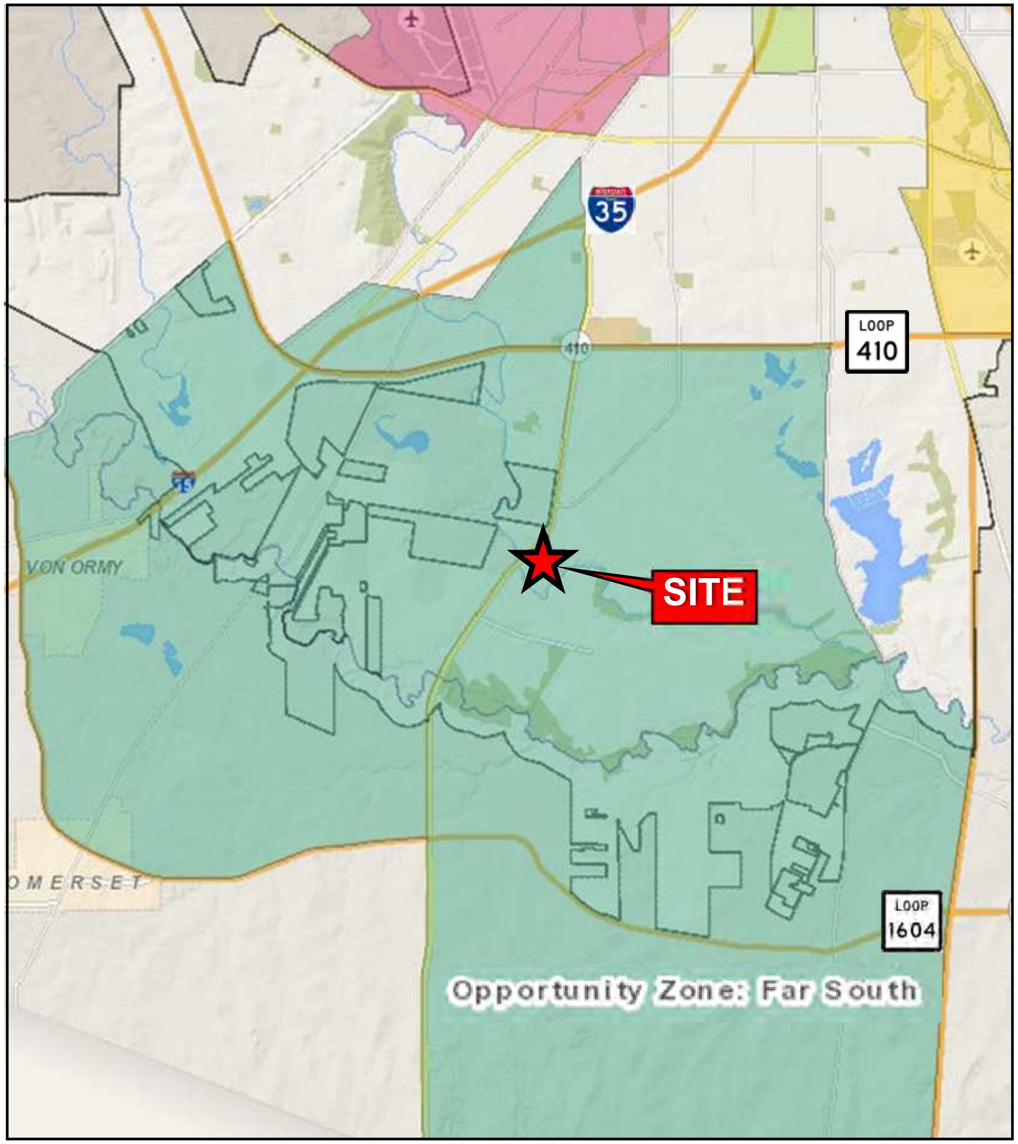


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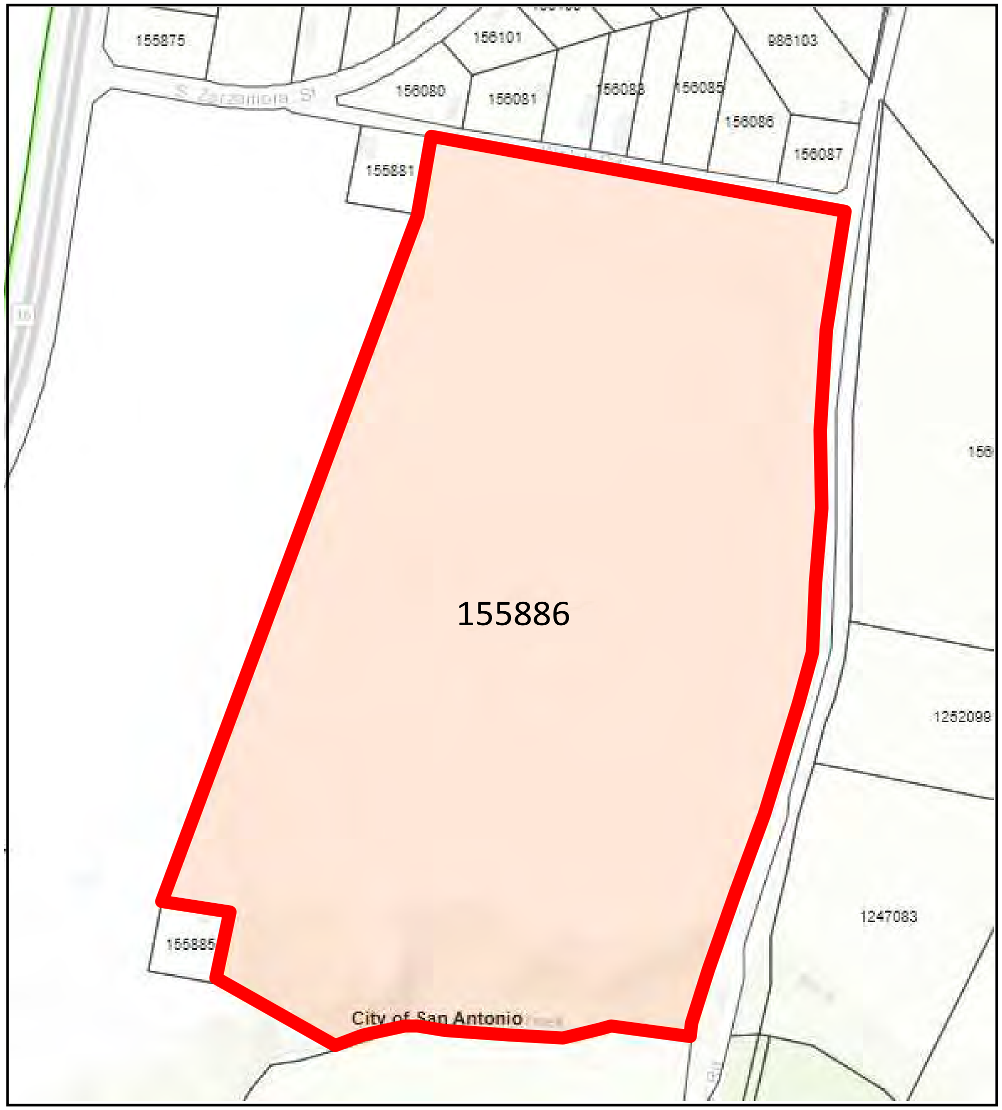
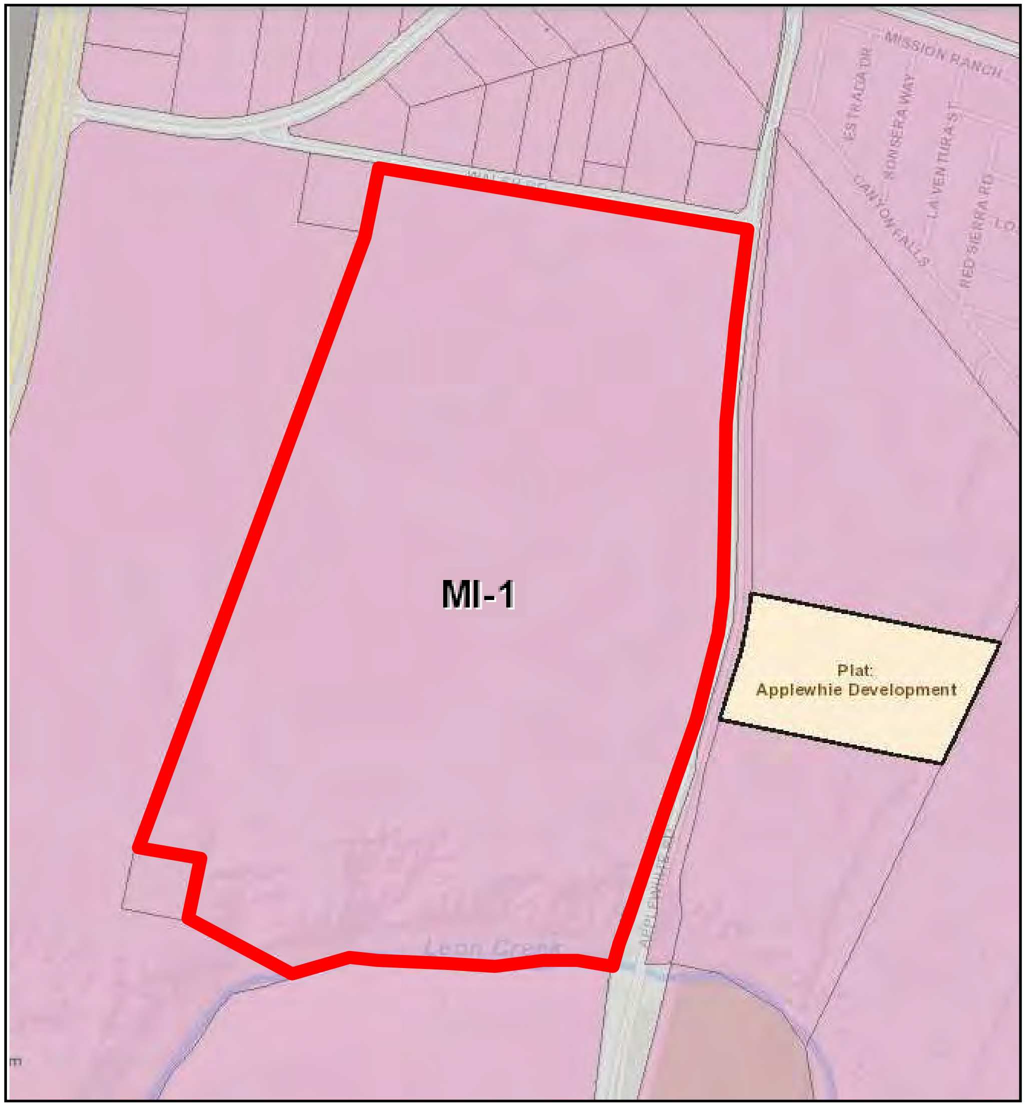




**PHIL CRANE, CCIM**
PARTNER
tel 210 289-3620
phil.crane@partnersrealestate.com

# Articles of Incorporation

# *STATE OF MARYLAND*
## *Department of Assessments and Taxation*

I, Michael Higgs, Acting Director of the Maryland Department of Assessments and Taxation, hereby certify that the attached document, inscribed with the same Authentication Code, is a true copy of the public record of the

ARTICLES OF AMENDMENT AND RESTATEMENT-CORPORATION

for

JCB INC.

I further certify that this document is a true copy generated from the online service with the Department of Assessments & Taxation.

In witness whereof, I have hereunto subscribed my signature and affixed the seal of the State Department of Assessments and Taxation of Maryland at Baltimore on this May 25, 2017 .

Michael Higgs
Acting Director

*301 West Preston Street, Baltimore, Maryland 21201*
*Telephone Balto. Metro (410) 767-1344 / Outside Balto. Metro (888) 246-5941*
*MRS (Maryland Relay Service) (800) 735-2258 TT/Voice*

Online Certificate Authentication Code: 1000361990609897
To verify the Authentication Code, visit http://dat.maryland.gov/verify

# CORPORATE CHARTER APPROVAL SHEET

** EXPEDITED SERVICE ** ** KEEP WITH DOCUMENT **

DOCUMENT CODE 13 BUSINESS CODE 03

# D0328625

Close ____ Stock ✓ Nonstock ____

P.A. ____ Religious ____

Merging (Transferor) ____

Surviving (Transferee) ____

1000361990609897

ID # D00328625 ACK # 1000361990609897
LIBER: B00729 FOLIO: 1527 PAGES: 0011
JCB INC.

11/19/2004 AT 03:26 P WO # 0000976672

New Name ____

FEES REMITTED

| | |
|---|---|
| Base Fee: | 100 |
| Org. & Cap. Fee: | 20 |
| Expedite Fee: | 50 |
| Penalty: | |
| State Recordation Tax: | |
| State Transfer Tax: | |
| ____ Certified Copies | |
| Copy Fee: | |
| ____ Certificates | |
| Certificate of Status Fee: | |
| Personal Property Filings: | |
| Other: | |
| TOTAL FEES: | 170 |

____ Change of Name
____ Change of Principal Office
____ Change of Resident Agent
____ Change of Resident Agent Address
____ Resignation of Resident Agent
____ Designation of Resident Agent and Resident Agent's Address
____ Change of Business Code

____ Adoption of Assumed Name

____ Other Change(s)

Credit Card ____ Check ✓ Cash ____

1 Documents on 2 Checks

Approved By: [illegible]

Keyed By: [illegible]

COMMENT(S):

Code 007

Attention: ____

THE CORPORATION TRUST INCORPORATED
300 E LOMBARD ST
BALTIMORE MD 21202-3219

11/19/04
at 326pm

Stamp Work Order and Customer Number HERE

**JCB INC.**

ARTICLES OF AMENDMENT AND RESTATEMENT
OF THE
ARTICLES OF INCORPORATION
(Under Section 2-609 of the Maryland General Corporation Law)

JCB Inc., a Maryland corporation, having its principal office at 10939 Philadelphia Road, White Marsh, Maryland 21162 (the "Corporation"), and having CSC - Lawyers Incorporating Service Company as its resident agent located at 11 East Chase Street, Baltimore, Maryland 21202, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The charter of the Corporation is hereby amended and restated as set forth in Exhibit A attached hereto.

SECOND: The Corporation currently has three directors. The names of the directors currently in office are Sir Anthony Bamford, John Patterson and Helmut Peters.

THIRD: This Amendment and Restatement contains amendments to the Articles of Incorporation of the Corporation requiring stockholder approval.

FOURTH: This Amendment and Restatement was advised by the Corporation's board of directors and approved by the stockholders of the Corporation by unanimous written consent in accordance with the provisions of Sections 2-408 and 2-505 of the Maryland General Corporation Law.

FIFTH: As of immediately before this Amendment and Restatement, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million (2,000,000) shares, all of which shares are of one class and are designated Common Stock, par value $1.00 per share, and (b) the aggregate par value of all such shares is Two Million Dollars ($2,000,000).

SIXTH: As amended and restated, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million One Hundred Thousand (2,100,000) shares, par value $1.00 per share, of which Two Million (2,000,000) shares are designated Common Stock and One Hundred Thousand (100,000) shares are designated Preferred Stock. As amended and restated, the aggregate par value of all such shares is Two Million One Hundred Thousand Dollars ($2,100,000).

IN WITNESS WHEREOF, JCB Inc. has caused these Articles of Amendment and Restatement to be executed by its duly authorized officer, this 19th day of November, 2004.

JCB INC.

By: ____________________
Name: Sir Anthony P. Bamford
Title: President

Attest:

By: ____________________
Name: Helmut Peters
Title: Secretary

**EXHIBIT A**

# JCB INC.

## AMENDED AND RESTATED ARTICLES OF INCORPORATION

### ARTICLE I

The name of the corporation is JCB Inc. (the "Corporation").

### ARTICLE II

The current address of the principal office of the Corporation in Maryland is 10939 Philadelphia Road, White Marsh, Maryland 21162. The name of the Corporation's current resident agent is CSC - Lawyers Incorporating Service Company. The address of the Corporation's current resident agent is 11 East Chase Street, Baltimore, Maryland 21202.

### ARTICLE III

The Corporation may engage in any lawful business or other activity.

### ARTICLE IV

The Corporation is authorized to issue a total of Two Million One Hundred Thousand (2,100,000) shares of capital stock, par value $1.00 per share. Two Million (2,000,000) of such shares are designated "Common Stock" and One Hundred Thousand (100,000) of such shares are designated "Series A Preferred Stock," but which may be referred to herein from time to time as the "Preferred Stock." The aggregate par value of all such shares is Two Million One Hundred Thousand Dollars ($2,100,000). The Preferred Stock shall have the rights, preferences, privileges and restrictions set forth in the succeeding provisions of this Article IV.

A. Voting. Except as otherwise required by the laws of Maryland, the Common Stock shall have one vote per share. The Preferred Stock shall have voting rights as set forth in Section IV.B. below.

B. Preferred Stock.

1. Voting. Except as otherwise required by the laws of Maryland, the Preferred Stock shall be non-voting.

2. Dividends. Holders of the Preferred Stock shall not be entitled to the payment of any dividends, except as expressly set forth in the next sentence. When, as and if, the Board of Directors of the Corporation declares or pays any dividends upon the Common Stock (whether payable in cash, securities or other property), the Corporation shall also declare and pay to the holders of the Preferred Stock, out of the assets of the Corporation legally available therefor, at

the same time that it declares and pays such dividends to the holders of the Common Stock, the same dividend per share of Preferred Stock declared and paid with respect to the Common Stock.

3. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), each holder of Preferred Stock shall be entitled to be paid, before any distribution or payment is made upon any capital stock or other equity securities of the Corporation other than the Preferred Stock ("Junior Securities"), an amount in cash equal to the aggregate Liquidation Value (as defined below) of all shares held by such holder (plus all declared and unpaid dividends thereon). If, upon any such liquidation, dissolution or winding up of the Corporation, the Corporation's assets to be distributed among the holders of the Preferred Stock are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid under this Section IV.B.3., then the entire assets available to be distributed to the Corporation's stockholders shall be distributed pro rata among the holders of the Preferred Stock (based upon the aggregate Liquidation Value of the Preferred Stock (plus all declared and unpaid dividends thereon)). The "Liquidation Value" of any share of Preferred Stock as of any particular date shall be equal to One Thousand Dollars ($1,000.00) (as proportionately adjusted for all stock splits, stock dividends and other recapitalizations affecting such Preferred Stock).

4. Priority of Preferred Stock on Dividends and Redemptions. So long as any Preferred Stock remains outstanding, without the prior written consent of the holders of a majority of the outstanding Preferred Stock, the Corporation shall not, nor shall it permit any Subsidiary to, redeem, purchase or otherwise acquire directly or indirectly any Junior Securities, nor shall the Corporation directly or indirectly pay or declare any dividend or make any distribution upon any Junior Securities.

5. Redemption. The shares of Preferred Stock shall be redeemed as follows:

a. Mandatory Redemption. Upon the written request of the holders of a majority of the outstanding shares of Preferred Stock (the "Redemption Date"), the Corporation shall redeem any and all outstanding shares of Preferred Stock from the record holders thereof. Within fifteen (15) days after receipt of such request, the Corporation shall give written notice of such request to all other holders of Preferred Stock, and such other holders may request redemption of their shares of Preferred Stock by delivering written notice to the Corporation within ten (10) days after receipt of the Corporation's notice. The Corporation shall be required to redeem all shares with respect to which such redemption requests have been made at a price per share equal to the Redemption Price (as defined below) within twenty (20) days after receipt of the initial redemption request

b. Redemption Price and Payment. The shares of Preferred Stock to be redeemed on a Redemption Date shall be redeemed by paying for each share in cash an amount equal to the Liquidation Value amount per share (plus declared and unpaid dividends thereon), computed to, but excluding, such Redemption Date (such amount being referred to as the "Redemption Price"). Such payment shall be made in full on such Redemption Date to the holders entitled thereto.

c. Redemption Mechanics.

(i) At least thirty (30) but not more than forty-five (45) days prior to each Redemption Date, written notice (the "Redemption Notice") shall be given by the Corporation by delivery in person, certified or registered mail, return receipt requested, telecopier, or telex, to each holder of record (at the close of business on the business day next preceding the day on which the Redemption Notice is given) of shares of Preferred Stock notifying such holder of the redemption and specifying the Redemption Price, such Redemption Date, the number of shares of Preferred Stock to be redeemed from such holder and the place where said Redemption Price shall be payable. The Redemption Notice shall be addressed to each holder at his address as shown by the records of the Corporation. Any Redemption Notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives such Redemption Notice. On or after the Redemption Date, each holder of shares of Preferred Stock to be redeemed shall be present and surrender such holder's certificate or certificates for such shares to the Corporation at the place designated in the Redemption Notice and thereupon the Redemption Price shall be paid to or on the order of the person or entity whose name appears on such certificate or if fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued to such person or entity representing the unredeemed shares. Neither failure to mail such Redemption Notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders.

(ii) From and after the close of business on a Redemption Date, unless there shall have been a default in the payment of the Redemption Price, all rights of holders of shares of Preferred Stock (except the right to receive the applicable Redemption Price) shall cease with respect to the shares to be redeemed on such Redemption Date, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the funds of the Corporation legally available for redemption of shares of Preferred Stock on the Redemption Date are insufficient to redeem the total number of shares of Preferred Stock to be redeemed on such Redemption Date, the holders of such shares shall share ratably in any funds legally available for redemption of such shares according to the respective amounts which would be payable to them if the full number of shares to be redeemed on such Redemption Date were actually redeemed. The shares of Preferred Stock required to be redeemed but not redeemed for the reason set forth in the preceding sentence shall remain outstanding and entitled to all rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of such shares of Preferred Stock, such funds will be used to redeem the balance of such shares, or such portion thereof for which funds are then legally available, on the basis set forth above.

d. Redeemed or Otherwise Acquired Shares to be Retired. Any shares of Preferred Stock redeemed pursuant to this Section IV.B.5. or otherwise acquired by the Corporation in any manner whatsoever shall be canceled and shall not under any circumstances be reissued, and the Corporation may from time to time take such appropriate corporate action as may be necessary to reduce accordingly the number of authorized shares of Preferred Stock. Notwithstanding the above, nothing in this Section IV.B.5.d. shall limit the right of the Corporation or any of its Subsidiaries to issue any shares of capital stock or equity interests, other than the Preferred Stock redeemed pursuant to this Section IV.B.5.

e. Additional Redemption Provisions.

(i) If a Redemption Notice has been given pursuant to this Section IV.B.5. and if, on or before the Redemption Date, the funds necessary for such redemption (including all dividends on the shares of Preferred Stock to be redeemed that will accrue to, but excluding, the Redemption Date) shall have been set aside by the Corporation, separate and apart from its other funds in trust for the *pro rata* benefit of the holders of the shares of Preferred Stock so called for redemption, then, notwithstanding that any certificates for such shares of Preferred Stock have not been surrendered for cancellation, on the Redemption Date dividends shall cease to accrue on the shares of the Preferred Stock to be redeemed, and at the close of business on the date on which such funds have been segregated and set aside by the Corporation as provided in this Section IV.B.5.c., the holders of such shares shall cease to be stockholders with respect to those shares, shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares of Preferred Stock evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of four months from the Redemption Date shall revert to the general funds of the Corporation after such reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the Redemption Price, without interest. Any interest accrued on funds so deposited shall belong to the holders of such shares so called for redemption.

(ii) In every case of redemption of fewer than all of the outstanding shares of the Preferred Stock pursuant to this Section IV.B.5., the shares to be redeemed shall be selected *pro rata*, provided that only whole shares shall be selected for redemption.

6. Amendments. These Articles of Incorporation shall not be amended, modified or waived without the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Preferred Stock if such amendment, modification or waiver would alter or change the preferences, rights, privileges or powers of the Preferred Stock.

7. Sinking Fund Redemption. The shares of the Preferred Stock are not subject to sinking fund requirements.

8. Limitation and Rights Upon Insolvency. Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not be required to pay any dividend on, or to pay any amount in respect of any redemption of, the Preferred Stock at a time when immediately after making such payment the Corporation is or would be rendered insolvent (as defined by applicable law), provided that the obligation of the Corporation to make any such payment shall not be extinguished in the event the foregoing limitation applies.

## ARTICLE VI

The number of directors of the Corporation shall be three (3), which number may be increased or decreased pursuant to the by-laws of the Corporation, but which shall never be less than three (3). The Corporation currently has three directors. The names of the directors currently in office are Sir Anthony Bamford, John Patterson and Helmut Peters.

## ARTICLE VII

To the fullest extent from time to time permitted by law, no director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for damages for breach of any duty owed to the Corporation or its stockholders. Neither the amendment nor repeal of this Article, nor the adoption of any provision of these Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the protection afforded by this Article to a director or officer of the Corporation with respect to any matter which occurred, or any cause of action, suit, or claim which, but for this Article, would have accrued or arisen, prior to such amendment, repeal or adoption.

## ARTICLE IX

The following provisions are hereby adopted for the purpose of defining, limiting, and regulating the powers of the Corporation and of the directors and stockholders:

A. All shares of stock as issued from time to time, shall be first offered for subscription pro rata to the holders of the then outstanding shares; and, anything in this Article IX to the contrary notwithstanding, no such shares shall be authorized for issue by the Board of Directors except with the prior approval by vote at a meeting or by consent in writing with or without a meeting, of the holders of all the then outstanding shares of capital stock.

B. The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the books, accounts and documents of the Corporation, or any of them, shall be open to the inspection of the stockholders, except as otherwise provided by statute or by the by-laws; and, except as so provided no stockholder shall have any right to inspect any book, account or document of the Corporation unless authorized so to do by resolution of the Board of Directors.

C. The Corporation may enter into contracts and transact business with any director or with any corporation, partnership, trust or association of which any director is a stockholder, director, officer, partner, member, trustee, beneficiary, employee or in which any director is otherwise interested; and such contract or transaction shall not be invalidated or in any way affected by the fact that such director has or may have an interest therein which is or might be adverse to the interests of the Corporation provided that the fact of such interest shall be disclosed or known to the other directors or stockholders acting upon such contract or transaction; and such director may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall authorize any such contract or transaction and may vote thereat to authorize any such contract or transaction, with like force and effect as if he were not so interested. No director having such disclosed or known adverse interest shall be liable to the Corporation or any stockholder or creditor thereof or any other person for any loss incurred by the Corporation under or by reason of any such contract or transaction, nor shall any such director be accountable for any gains or profits realized therefrom.

D. Any contract, transaction or act of the Corporation or of the directors which shall be ratified by a majority of a quorum of the stockholders having voting powers at any annual meeting, or at any special meeting called for such purpose, shall so far as permitted by law be valid and as binding as though ratified by every stockholder of the Corporation.

E. Unless the by-laws otherwise provide, any officer or employee of the Corporation (other than a director) may be removed at any time with or without cause by the Board of Directors or by any committee or superior officer upon whom such power of removal may be conferred by the by-laws or by authority of the Board of Directors.

F. Notwithstanding any provision of law requiring any action to be taken or authorized by the affirmative vote of the holders of a majority or other designated proportion of the shares or of the shares of each class, or otherwise to be taken or authorized by vote of the stockholders, such action shall be effective and valid if taken or authorized by the affirmative vote of the holders of a majority of the total number of shares outstanding and entitled to vote thereon, except as otherwise provided in the charter, but in cases in which the law authorizes such action to be taken or authorized by a less vote, such action shall be effective and valid if so taken or authorized, except as otherwise provided in the charter.

G. The Board of Directors shall have power from time to time to set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created; to fix and to determine and to vary the amount of the working capital of the Corporation; to direct and determine the use and disposition of any surplus, or any profits, over and above the capital of the Corporation, by declaring dividends at such time or times and in such amounts as they may deem advisable, or otherwise; and in its discretion the Board of Directors may use and apply any such surplus or net profits in purchasing or acquiring bonds, debentures, notes or other obligations or shares of capital stock of the corporation, to such extent, in such manner and upon such terms as the Board of Directors may deem expedient and as may be permitted by law and the charter of the Corporation.

H. The Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law, including any amendments changing the terms of any of its outstanding stock by classification, reclassification or otherwise; but no such amendment which changes the terms of any of the outstanding stock shall be valid unless such change in the terms thereof shall have been authorized by the holders of a majority of the shares of such stock at the time outstanding, by a vote at a meeting or in writing with or without a meeting.

## ARTICLE X

The duration of the Corporation shall be perpetual.

## ARTICLE XI

A. Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Maryland General Corporation Law and the By-laws of the Corporation, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section XI.C. with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation.

B. Right to Advancement of Expenses. The right to indemnification conferred in Section XI.A. shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding for which such right to indemnification is applicable in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Maryland General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article XI or otherwise.

C. Right of Indemnitee to Bring Suit. The rights to indemnification and to the advancement of expenses conferred in Sections XI.A. and XI.B. shall be contract rights. If a claim under Section XI.A. or XI.B. is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Maryland General Corporation Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Maryland General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the Corporation.

D. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article XI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

E. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Maryland General Corporation Law.

* * * * *

# *STATE OF MARYLAND*
## *Department of Assessments and Taxation*

I, Michael Higgs, Acting Director of the Maryland Department of Assessments and Taxation, hereby certify that the attached document, inscribed with the same Authentication Code, is a true copy of the public record of the

ARTICLES OF AMENDMENT-CORPORATION

for

JCB INC.

I further certify that this document is a true copy generated from the online service with the Department of Assessments & Taxation.

In witness whereof, I have hereunto subscribed my signature and affixed the seal of the State Department of Assessments and Taxation of Maryland at Baltimore on this May 25, 2017 .

Michael Higgs
Acting Director

*301 West Preston Street, Baltimore, Maryland 21201*
*Telephone Balto. Metro (410) 767-1344 / Outside Balto. Metro (888) 246-5941*
*MRS (Maryland Relay Service) (800) 735-2258 TT/Voice*

Online Certificate Authentication Code: 1000361998604189
To verify the Authentication Code, visit http://dat.maryland.gov/verify

# CORPORATE CHARTER APPROVAL SHEET

****EXPEDITED SERVICE**** **** KEEP WITH DOCUMENT ****

DOCUMENT CODE C9 BUSINESS CODE ______

# D00328625

Close ______ Stock ______ Nonstock ______

P.A. ______ Religious ______

Merging (Transferor) ______

Surviving (Transferee) ______

Affix Barcode Label Here

1000361998604189

Affix Barcode Label Here

ID # D00328625 ACK # 1000361998604189
PAGES: 0007
JCB INC.

09/08/2009 AT 10:09 A WO # 0001769923

New Name ______

FEES REMITTED

| | |
|---|---|
| Base Fee: | 160 |
| Org. & Cap. Fee: | 20 |
| Expedite Fee: | 10 |
| Penalty: | |
| State Recordation Tax: | |
| State Transfer Tax: | |
| 1 Certified Copies | |
| Copy Fee: | 8p 28 |
| Certificates | |
| Certificate of Status Fee: | |
| Personal Property Filings: | |
| Mail Processing Fee: | |
| Other: | |
| TOTAL FEES: | 218 |

Credit Card ______ Check ✓ Cash ______

1 Documents on 2 Checks

Approved By: 10

Keyed By: CK

COMMENT(S):

______ Change of Name
______ Change of Principal Office
______ Change of Resident Agent
______ Change of Resident Agent Address
______ Resignation of Resident Agent
______ Designation of Resident Agent and Resident Agent's Address
______ Change of Business Code

______ Adoption of Assumed Name

✓ Other Change(s)
– Incr auth stock & par value & states terms
– Current directors

Code 891

Attention: ______

CORPORATION SERVICE COMPANY
STE 1660
7 SAINT PAUL ST
BALTIMORE MD 21202-1626

**Stamp Work Order and Customer Number HERE**

STATE OF MARYLAND
DEPT OF ASSESSMENTS AND TAXATION
CUST ID:0002326885
WORK ORDER:0001769923
DATE:09-11-2009 02:19 PM
AMT. PAID:$218.00

CERTIFIED COPY MADE

# JCB INC.

FIRST AMENDMENT TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION
(Under Section 2-607 of the Maryland General Corporation Law)

JCB Inc., a Maryland corporation, having its principal office at 2000 Bamford Boulevard, Pooler, Georgia 31322 (the "Corporation"), and having CSC - Lawyers Incorporating Service Company as its registered agent located at 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The charter of the Corporation is hereby amended as set forth in Exhibit A attached hereto.

SECOND: The Corporation currently has three directors. The names of the directors currently in office are Sir Anthony Bamford, John Patterson and Matthew Taylor.

THIRD: This Amendment contains amendments to the Articles of Incorporation of the Corporation requiring stockholder approval.

FOURTH: This Amendment was advised by the Corporation's board of directors and approved by the stockholders of the Corporation by unanimous written consent in accordance with the provisions of Sections 2-408 and 2-505 of the Maryland General Corporation Law.

FIFTH: As of immediately before this Amendment, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million One Hundred Thousand (2,100,000) shares, of which Two Million (2,000,0000) shares are designated Common Stock, par value $1.00 per share and of which One Hundred Thousand (100,000) shares are designated Preferred Stock, par value $1.00 per share, and (b) the aggregate par value of all such shares is Two Million One Hundred Thousand Dollars ($2,100,000).

SIXTH: As amended, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million One Hundred Sixteen Thousand (2,116,000) shares, par value $1.00 per share, of which Two Million (2,000,000) shares are designated Common Stock and One Hundred Sixteen Thousand (116,000) shares are designated Preferred Stock. As amended and restated, the aggregate par value of all such shares is Two Million One Hundred Sixteen Thousand Dollars ($2,116,000).

**IN WITNESS WHEREOF, JCB Inc. has caused these Articles of Amendment to be executed by its duly authorized officer, this 4th day of September, 2009.** We the undersigned President and Secretary swear under penalities of perjury that the foregoing is a corporate act.

JCB INC.

By:________________________________
Name: J. PATTERSON
Title: PRESIDENT.

Attested to:

By:________________________________
Name: WERTE, NICK
Title: SECRETARY

**EXHIBIT A**

**JCB INC.**

**FIRST AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION**

Article IV shall read as follows:

ARTICLE IV

The Corporation is authorized to issue a total of Two Million One Hundred Sixteen Thousand (2,116,000) shares of capital stock, par value $1.00 per share. Two Million (2,000,000) of such shares are designated "Common Stock" and One Hundred Sixteen Thousand (116,000) of such shares are designated "Series A Preferred Stock," but which may be referred to herein from time to time as the "Preferred Stock." The aggregate par value of all such shares is Two Million One Hundred Sixteen Thousand Dollars ($2,116,000). The Preferred Stock shall have the rights, preferences, privileges and restrictions set forth in the succeeding provisions of this Article IV.

A. Voting. Except as otherwise required by the laws of Maryland, the Common Stock shall have one vote per share. The Preferred Stock shall have voting rights as set forth in Section IV.B. below.

B. Preferred Stock.

1. Voting. Except as otherwise required by the laws of Maryland, the Preferred Stock shall be non-voting.

2. Dividends. Holders of the Preferred Stock shall not be entitled to the payment of any dividends, except as expressly set forth in the next sentence. When, as and if, the Board of Directors of the Corporation declares or pays any dividends upon the Common Stock (whether payable in cash, securities or other property), the Corporation shall also declare and pay to the holders of the Preferred Stock, out of the assets of the Corporation legally available therefor, at the same time that it declares and pays such dividends to the holders of the Common Stock, the same dividend per share of Preferred Stock declared and paid with respect to the Common Stock.

3. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation (whether voluntary or involuntary), each holder of Preferred Stock shall be entitled to be paid, before any distribution or payment is made upon any capital stock or other equity securities of the Corporation other than the Preferred Stock ("Junior Securities"), an amount in cash equal to the aggregate Liquidation Value (as defined below) of all shares held by such holder (plus all declared and unpaid dividends thereon). If, upon any such liquidation, dissolution or winding up of the Corporation, the Corporation's assets to be distributed among the holders of the Preferred Stock are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid under this Section IV.B.3., then the entire assets available to be distributed to the Corporation's stockholders shall be distributed pro rata among the holders of the Preferred Stock (based upon the aggregate Liquidation Value of the Preferred Stock (plus all declared and

unpaid dividends thereon)). The "Liquidation Value" of any share of Preferred Stock as of any particular date shall be equal to One Thousand Dollars ($1,000.00) (as proportionately adjusted for all stock splits, stock dividends and other recapitalizations affecting such Preferred Stock).

4. Priority of Preferred Stock on Dividends and Redemptions. So long as any Preferred Stock remains outstanding, without the prior written consent of the holders of a majority of the outstanding Preferred Stock, the Corporation shall not, nor shall it permit any Subsidiary to, redeem, purchase or otherwise acquire directly or indirectly any Junior Securities, nor shall the Corporation directly or indirectly pay or declare any dividend or make any distribution upon any Junior Securities.

5. Redemption. The shares of Preferred Stock shall be redeemed as follows:

a. Mandatory Redemption. Upon the written request of the holders of a majority of the outstanding shares of Preferred Stock (the "Redemption Date"), the Corporation shall redeem any and all outstanding shares of Preferred Stock from the record holders thereof. Within fifteen (15) days after receipt of such request, the Corporation shall give written notice of such request to all other holders of Preferred Stock, and such other holders may request redemption of their shares of Preferred Stock by delivering written notice to the Corporation within ten (10) days after receipt of the Corporation's notice. The Corporation shall be required to redeem all shares with respect to which such redemption requests have been made at a price per share equal to the Redemption Price (as defined below) within twenty (20) days after receipt of the initial redemption request

b. Redemption Price and Payment. The shares of Preferred Stock to be redeemed on a Redemption Date shall be redeemed by paying for each share in cash an amount equal to the Liquidation Value amount per share (plus declared and unpaid dividends thereon), computed to, but excluding, such Redemption Date (such amount being referred to as the "Redemption Price"). Such payment shall be made in full on such Redemption Date to the holders entitled thereto.

c. Redemption Mechanics.

(i) At least thirty (30) but not more than forty-five (45) days prior to each Redemption Date, written notice (the "Redemption Notice") shall be given by the Corporation by delivery in person, certified or registered mail, return receipt requested, telecopier, or telex, to each holder of record (at the close of business on the business day next preceding the day on which the Redemption Notice is given) of shares of Preferred Stock notifying such holder of the redemption and specifying the Redemption Price, such Redemption Date, the number of shares of Preferred Stock to be redeemed from such holder and the place where said Redemption Price shall be payable. The Redemption Notice shall be addressed to each holder at his address as shown by the records of the Corporation. Any Redemption Notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives such Redemption Notice. On or after the Redemption Date, each holder of shares of Preferred Stock to be redeemed shall be present and surrender such holder's certificate or certificates for such shares to the Corporation at the place designated in the Redemption Notice and thereupon the Redemption Price shall be paid to or on the order of the person or entity whose name appears on such certificate or if fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued to such person or entity representing the unredeemed shares. Neither failure to mail such Redemption Notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders.

(ii) From and after the close of business on a Redemption Date, unless there shall have been a default in the payment of the Redemption Price, all rights of holders of shares of Preferred Stock (except the right to receive the applicable Redemption Price) shall cease with respect to the shares to be redeemed on such Redemption Date, and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever. If the funds of the Corporation legally available for redemption of shares of Preferred Stock on the Redemption Date are insufficient to redeem the total number of shares of Preferred Stock to be redeemed on such Redemption Date, the holders of such shares shall share ratably in any funds legally available for redemption of such shares according to the respective amounts which would be payable to them if the full number of shares to be redeemed on such Redemption Date were actually redeemed. The shares of Preferred Stock required to be redeemed but not redeemed for the reason set forth in the preceding sentence shall remain outstanding and entitled to all rights and preferences provided herein. At any time thereafter when additional funds of the Corporation are legally available for the redemption of such shares of Preferred Stock, such funds will be used to redeem the balance of such shares, or such portion thereof for which funds are then legally available, on the basis set forth above.

d. Redeemed or Otherwise Acquired Shares to be Retired. Any shares of Preferred Stock redeemed pursuant to this Section IV.B.5. or otherwise acquired by the Corporation in any manner whatsoever shall be canceled and shall not under any circumstances be reissued, and the Corporation may from time to time take such appropriate corporate action as may be necessary to reduce accordingly the number of authorized shares of Preferred Stock. Notwithstanding the above, nothing in this Section IV.B.5.d. shall limit the right of the Corporation or any of its Subsidiaries to issue any shares of capital stock or equity interests, other than the Preferred Stock redeemed pursuant to this Section IV.B.5.

e. Additional Redemption Provisions.

(i) If a Redemption Notice has been given pursuant to this Section IV.B.5. and if, on or before the Redemption Date, the funds necessary for such redemption (including all dividends on the shares of Preferred Stock to be redeemed that will accrue to, but excluding, the Redemption Date) shall have been set aside by the Corporation, separate and apart from its other funds in trust for the *pro rata* benefit of the holders of the shares of Preferred Stock so called for redemption, then, notwithstanding that any certificates for such shares of Preferred Stock have not been surrendered for cancellation, on the Redemption Date dividends shall cease to accrue on the shares of the Preferred Stock to be redeemed, and at the close of business on the date on which such funds have been segregated and set aside by the Corporation as provided in this Section IV.B.5.e., the holders of such shares shall cease to be stockholders with respect to those shares, shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares of Preferred Stock evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of four months from the Redemption Date shall revert to the general funds of the Corporation after such reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the Redemption Price, without interest. Any interest accrued on funds so deposited shall belong to the holders of such shares so called for redemption.

(ii) In every case of redemption of fewer than all of the outstanding shares of the Preferred Stock pursuant to this Section IV.B.5., the shares to be redeemed shall be selected *pro rata*, provided that only whole shares shall be selected for redemption.

6. Amendments. These Articles of Incorporation shall not be amended, modified or waived without the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Preferred Stock if such amendment, modification or waiver would alter or change the preferences, rights, privileges or powers of the Preferred Stock.

7. Sinking Fund Redemption. The shares of the Preferred Stock are not subject to sinking fund requirements.

8. Limitation and Rights Upon Insolvency. Notwithstanding any other provision of these Articles of Incorporation, the Corporation shall not be required to pay any dividend on, or to pay any amount in respect of any redemption of, the Preferred Stock at a time when immediately after making such payment the Corporation is or would be rendered insolvent (as defined by applicable law), provided that the obligation of the Corporation to make any such payment shall not be extinguished in the event the foregoing limitation applies.

* * * * *

# *STATE OF MARYLAND*
## *Department of Assessments and Taxation*

I, Michael Higgs, Acting Director of the Maryland Department of Assessments and Taxation, hereby certify that the attached document, inscribed with the same Authentication Code, is a true copy of the public record of the

ARTICLES OF AMENDMENT-CORPORATION

for

JCB INC.

I further certify that this document is a true copy generated from the online service with the Department of Assessments & Taxation.

In witness whereof, I have hereunto subscribed my signature and affixed the seal of the State Department of Assessments and Taxation of Maryland at Baltimore on this May 25, 2017 .

Michael Higgs
Acting Director


*301 West Preston Street, Baltimore, Maryland 21201*
*Telephone Balto. Metro (410) 767-1344 / Outside Balto. Metro (888) 246-5941*
*MRS (Maryland Relay Service) (800) 735-2258 TT/Voice*


Online Certificate Authentication Code: 1000362002899377
To verify the Authentication Code, visit http://dat.maryland.gov/verify

# CORPORATE CHARTER APPROVAL SHEET

**** EXPEDITED SERVICE**    ** KEEP WITH DOCUMENT ****

DOCUMENT CODE 09    BUSINESS CODE 03

# D00328625

Close ______ Stock ______ Nonstock ______

P.A. ______ Religious ______

Merging (Transferor) ______

Surviving (Transferee) ______

1000362002899377

ID # D00328625 ACK # 1000362002899377
PAGES: 0003
JCB INC.

MAIL
BACK

02/13/2012 AT 03:04 P WO # 0003927217

New Name ______

FEES REMITTED

| | |
|---|---|
| Base Fee: | 100 |
| Org. & Cap. Fee: | 60 |
| Expedite Fee: | 50 |
| Penalty: | |
| State Recordation Tax: | |
| State Transfer Tax: | |
| ____ Certified Copies | |
| Copy Fee: | |
| ____ Certificates | |
| Certificate of Status Fee: | |
| Personal Property Filings: | |
| Mail Processing Fee: | 5 |
| Other: | |
| TOTAL FEES: | 215 |

____ Change of Name
____ Change of Principal Office
____ Change of Resident Agent
____ Change of Resident Agent Address
____ Resignation of Resident Agent
____ Designation of Resident Agent and Resident Agent's Address
____ Change of Business Code

____ Adoption of Assumed Name

✓ Other Change(s) Share increase

Credit Card ✓ Check ______ Cash ______

______ Documents on ______ Checks

Approved By: 2

Keyed By: ______

COMMENT(S):

Code ______

Attention: ______

JOHN HEWSON, ESQ.
200 E SAINT JULIAN ST
SAVANNAH GA 31401-2700

CUST ID:0002710637
WORK ORDER:0003927217
DATE:02-17-2012 06:09 PM
AMT. PAID:$215.00

# JCB INC.

## SECOND AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION

(Under Section 2-607 of the Maryland General Corporation Law)

JCB Inc., a Maryland corporation, having its principal office at 2000 Bamford Boulevard, Pooler, Georgia 31322 (the "Corporation"), and having CSC - Lawyers Incorporating Service Company as its registered agent located at 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202, hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The charter of the Corporation is hereby amended as follows:

**Article IV shall read as follows:**

**ARTICLE IV**

The Corporation is authorized to issue a total of Two Million Five Hundred Thousand (2,500,000) shares of capital stock, par value $1.00 per share. Two Million Two Hundred Fifty Thousand (2,250,000) of such shares are designated "Common Stock" and Two Hundred Fifty Thousand (250,000) of such shares are designated "Series A Preferred Stock," but which may be referred to herein from time to time as the "Preferred Stock." The aggregate par value of all such shares is Two Million Five Hundred Thousand Dollars ($2,500,000). The Preferred Stock shall have the rights, preferences, privileges and restrictions set forth in the succeeding provisions of this Article IV.

SECOND: The Corporation currently has four directors. The names of the directors currently in office are Sir Anthony Bamford, John Patterson, Alan Blake, and David Miller.

THIRD: This Amendment contains amendments to the Articles of Incorporation of the Corporation requiring stockholder approval.

FOURTH: This Amendment was recommended by the Corporation's Board of Directors and approved by the Shareholders of the Corporation by unanimous written consent in accordance with the provisions of Sections 2-408 and 2-505 of the Maryland General Corporation Law.

FIFTH: prior to this Amendment, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million One Hundred Sixteen Thousand (2,116,000) shares, par value $1.00 per share, of which Two Million (2,000,000) shares were designated Common Stock and One Hundred Sixteen Thousand (116,000) Shares were designated Preferred Stock.

CUST ID:0002710637
WORK ORDER:0003927217
DATE:02-17-2012 06:09 PM
AMT. PAID:$215.00

SIXTH: As amended, (a) the total number of shares of stock of all classes which the Corporation has authority to issue is Two Million Five Hundred Thousand (2,500,000) shares, par value $1.00 per share, of which Two Million Two Hundred Fifty Thousand (2,250,000) shares are designated Common Stock and Two Hundred Fifty Thousand (250,000) Shares are designated Preferred Stock. As amended and restated, the aggregate par value of all such shares is Two Million Five Hundred Thousand Dollars ($2,500,000).

IN WITNESS WHEREOF, JCB Inc. has caused these Articles of Amendment to be executed by its duly authorized officer, as of November ___, 2011. We the undersigned President and Secretary swear under penalties of perjury that the foregoing is a corporate act.

JCB INC.

By:____________________
Name: ____________________
Title: President
Vice

Attest:

By:____________________
Name: ____________
Title: Secretary

# Certificate of Status

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697

Jane Nelson
Secretary of State

# Office of the Secretary of State

## Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that the document, Articles Of Incorporation for JCB, INC. (file number 148288900), a Domestic For-Profit Corporation, was filed in this office on March 23, 1998.

It is further certified that the entity status in Texas is in existence.

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on April 12, 2023.

Jane Nelson
Secretary of State

# Franchise Tax Status

# Franchise Tax Account Status

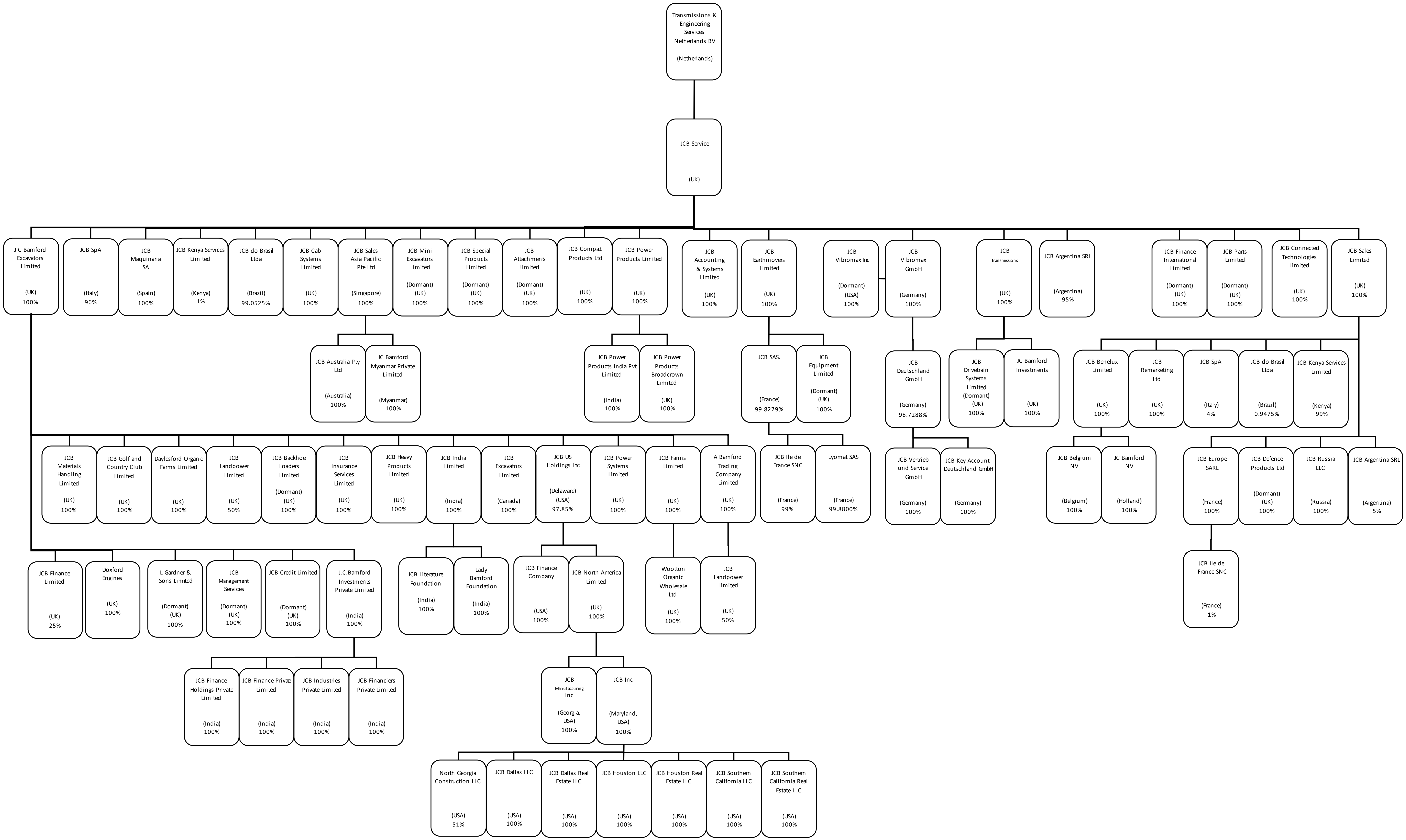
As of : 06/21/2023 14:40:33

**This page is valid for most business transactions but is not sufficient for filings with the Secretary of State**

| JCB, INC. DBA JCB EXCAVATORS, INC. | |
|---|---|
| **Texas Taxpayer Number** | 15209074234 |
| **Mailing Address** | 2000 BAMFORD BLVD C/O CONTROLLER POOLER, GA 31322-9504 |
| **Right to Transact Business in Texas** | ACTIVE |
| **State of Formation** | MD |
| **Effective SOS Registration Date** | Not Registered |
| **Texas SOS File Number** | Not Registered |
| **Registered Agent Name** | CT CORPORATION |
| **Registered Office Street Address** | 350 N. ST. PAUL ST. STE. 2900 DALLAS, TX 75201 |

# Organization Chart

**JCB Service Group Structure – 2019**




Note: Simplified Group Structure Chart which does not show all affiliates of entities above JCB Service

# Georgia Incentive Offer

April 14, 2023

Mr. Richard Fox-Marrs
President & CEO
JCB North America
2000 Bamford Blvd.
Pooler, GA 31322

Dear Mr. Fox-Marrs:

We know that JCB can choose from a wide range of locations around the globe to grow your business. Governor Kemp and I sincerely appreciate your consideration of Georgia as the home of JCB's next investment. We want you to succeed and prosper here.

Georgia offers unique assets that give businesses the advantages they need to grow and compete. Georgia's outstanding logistics, well-trained and educated workforce, low business costs, pro-business climate and high quality of life have landed it on a number of "Best Of" lists. *Area Development* has ranked Georgia No. 1 for business since 2014.

We work hard ever day to keep Georgia leading the nation as the best place for business.

It is our understanding that JCB plans to relocate the manufacture of product currently made in India and the UK to a new 500,000 square foot facility to be constructed on-site in Chatham County, Georgia. The performance period will be a total of 5 years.

*The Georgia offer of support is based on the following assumptions:*

New Jobs to be Created: 1,950

Existing Jobs to be Retained: 825

Private Investment to be Made: $284,000,000

Average Wage for all employees: $43,628.14

Timeframe for jobs and investment: 5 years

As detailed on page 3, the total estimated cost savings and cost avoidances for your selected Georgia location is $102,098,172.

Thank you for considering Georgia as the location for your company's investment. In fiscal year 2022, the State located 358 facilities in Georgia, announcing 51,132 jobs and $21.2 billion worth of new and expanding investment. We hope JCB will join our list of growing Georgia companies. We look forward to working with you and JCB as your project progresses.

Best Regards,

Padgett Wilson
Commissioner

| Summary of Georgia's Proposal | | |
|---|---|---|
| ***Start-Up Savings:*** | | |
| Project/Site Development | | |
| Project Development Grant to offset Machinery & Equipment (REBA) | | $10,500,000 |
| Training/Hiring | | |
| Georgia Quick Start (see Quick Start letter) | | $5,134,750 |
| Retraining Tax Credits | | Based on qualified expenditures |
| Equipment Purchases, Sales & Use Tax Exemption for start-up and future purchases: | | |
| Qualified Machinery Used in Manufacturing Process ($205,000,000 estimated qualifying equipment x 7% sales tax rate = $14,350,000) | | $14,350,000 |
| Primary Material Handling Equipment | | 7% of qualified expenditures |
| Pollution Control Equipment | | 7% of qualified expenditures |
| Qualified Computer Hardware & Software Used in Manufacturing Process | | 7% of qualified expenditures |
| Clean Room Equipment | | 7% of qualified expenditures |
| ***Savings from Tax Credits*** (five-year total) | | |
| Job Tax Credits[1] in MZ location[2] ($3,500 credit value x estimated 1,950 qualifying jobs x 5 years) | | $34,125,000 |
| Port Tax Credit Bonus ($1,250 credit value x estimated 1,950 qualifying jobs x 5 years) | | $12,187,500 |
| R&D Tax Credits | | Based on qualified expenditures |

[1] This is an estimate, and is based on information provided to GDEcD as of the date of this letter. One of the requirements to qualify for the Job Tax Credit each year is that a job must pay more than the lowest weekly average wage of any county in Georgia ($602/week or $31,304/year as of June 2022). The annual update to the average weekly wage is released each June by the Georgia Department of Labor. The Georgia Department of Community Affairs (DCA) announces county tier designations each January. Changes to the county tier designation will impact the incentives available to businesses that have plans to locate or expand within the county. Businesses affected by a county tier designation change are eligible to file a Notice of Intent on or before March 31 of the year the changes are announced in order to alleviate potential adverse effects for a period of three (3) years immediately following the change in tier designation. For full details regarding eligibility and program requirements, please review O.C.G.A. §48-7-40 and the rules published by the Georgia Department of Community Affairs in Chapter 110-9-1 and by the Georgia Department of Revenue in regulation 560-7-8-.36.

[2] Georgia's Opportunity Zones (OZs) expire 10 years after their creation. Designations of Georgia's Less Developed Census Tracts (LDCTs) and certain Military Zones (MZs) are announced each year in January by the Georgia Department of Community Affairs (DCA). Changes to any of these special zone designations will impact the incentives available to businesses that have plans to locate or expand within a particular area. Businesses affected by the loss of LDCT or MZ status are eligible to file a Notice of Intent on or before March 31 in the year that DCA announces the change to alleviate adverse effects for the first three (3) years after the change in designation. The designations are published in the public notices section of DCA's website dedicated to the Job Tax Credit program: https://www.dca.ga.gov/community-economic-development/incentive-programs/job-tax-credits.

| | | |
|---|---|---|
| ***Annual, Ongoing Savings:*** | | |
| Sales & Use Tax Exemption for | | |
| Energy Used in Manufacturing Process (natural or artificial gas, oil, gasoline, electricity, solid fuel, wood, waste, ice, steam, water) | | 4% of qualified expenditures |
| Repair & Replacement Parts to Industrial Machinery | | 7% of qualified expenditures |
| Raw Materials for Manufactured Product | | 7% of qualified expenditures |
| Packaging for Manufactured Product | | 7% of qualified expenditures |
| Inventory Tax for Manufacturers' Goods | | No state tax |
| Corporate Income Tax Apportioned by Property or Payroll | | No, Apportioned only by In-State Sales |
| Throwback Rule | | None |
| Property Tax (see local letter) | | |
| Local Property Tax Abatement over 15 Years | | $25,800,922 |
| State Property Tax | | No state tax |
| | | |
| **Subtotal from State of Georgia** | | **$76,297,250** |
| **Subtotal from Savannah Economic Development Authority (see local letter)** | | **$25,800,922** |
| **Estimated Total Cost Savings and Cost Avoidances** | | **$102,098,172** |

*This offer is good for 30 days from the date of the letter ("Offer Letter"). A letter or e-mail to the Georgia Department of Economic Development from the company indicating its intention to accept the incentives listed above and locate its facility in Georgia will initiate the execution of incentive programs. By accepting this offer the company agrees to a public announcement regarding its chosen location, and its planned job creation and investment numbers.*

*The company agrees not to divulge, disclose, or make this Offer Letter accessible to any persons or entities other than those whose assistance is required for purposes of evaluating this project (the "Company Representatives"). The Company Representatives shall include the following: the company's board members, officers, employees, agents, advisors, and legal counsel. The company may also share or disclose this Offer Letter when required by legal compulsion by deposition, interrogatory, and request for documents, subpoena, civil investigative demand, or similar process. To the extent that the company divulges, discloses, or makes this Offer Letter available to the Company Representatives, then the Company Representatives shall be advised of the confidential nature of this Offer Letter and shall maintain the confidentiality of such. The company acknowledges and agrees that if the Offer Letter is made accessible to any persons or entities other than the Company Representatives, the State may void the Offer Letter, in its sole discretion.*

*A signed Memorandum of Understanding ("MOU") between the company, local community and the state of Georgia is necessary to initiate the state Project Development Grant. A signed Performance & Accountability Agreement ("PAA") will articulate the employment and investment* *performance terms of the state Project Development Grant and is a necessary component of the grant application process. If the Company fails to execute the MOU and PAA within six (6) months of offer acceptance, the State may decommit the Project Development Grant funds for other economic development projects.*

*The Project Development Grant will not be disbursed until the Company participates in a joint press release with the State and the Community announcing the Project. The announcement will include the number of new jobs and private investment figure referenced in this offer letter.*

*A local government entity or authorized development authority will be the applicant and recipient of state Project Development grant funds. The Georgia Department of Community Affairs will review grant applications, conduct a financial risk analysis on the ultimate recipient (company) and disburse funds directly to the local government applicant based on receipts from eligible project activities.*

*All local partner incentives in this proposal are contingent on local government execution. Please see attached letter for additional information about the local offer.*

*All tax credit, sales and use exemptions, and other tax liability estimates within this letter should be considered an estimate and approximate value. Final determination of the value of tax credits, sales and use exemptions, and all other tax liabilities will be made by the Georgia Department of Revenue.*

*For additional details on qualifying for the job tax credit, including the rules and regulations, visit the Georgia Department of Community Affairs website:*
*https://dca.ga.gov/community-economic-development/incentives/job-tax-credits*

*For additional details on all other tax credits, visit the Georgia Department of Revenue website:*
*https://dor.georgia.gov/taxes/tax-credits*

*For the rules and regulations of the Georgia Department of Revenue related to income tax and credits, visit:*
*https://dca.ga.gov/community-economic-development/incentives/job-tax-credits*

*For additional details on qualifying for the sales and use tax exemptions, visit the Georgia Department of Revenue website:*
*https://dor.georgia.gov/taxes/business-taxes/sales-use-tax/nontaxable-sales*

*For the rules and regulations of the Georgia Department of Revenue related to sales & use tax exemptions, visit:*
*http://rules.sos.ga.gov/GAC/560-12-2*

*For the Georgia tax code, visit: http://www.lexisnexis.com/hottopics/gacode*

SAVANNAH
Economic Development Authority

April 5, 2023

Mr. Richard Fox-Marrs
JCB North America
2000 Bamford Blvd.
Pooler, GA 31322

Dear Mr. Richard Fox-Marrs:

The Savannah Economic Development Authority (SEDA) is honored that JCB North America is considering a significant expansion to the existing facility in Chatham County. SEDA recognizes the many variables involved in selecting a location and is grateful to have the opportunity to represent Chatham County in this project. Our organization appreciates the potential for increasing the number of skilled manufacturing and administrative positions in our area to support our economy.

Your plans for significant capital investment and new job creation are important to the greater Savannah community and signify your commitment to the area. SEDA appreciates this commitment and is prepared to offer the incentives outlined below based on the following parameters of the project:

- JCB North America will expand operations in Chatham County on existing land that was provided to the company as part of the discretionary incentive for the 1998 project.
- JCB North America will invest $79,000,000 in Chatham County over a period of 5 years.
  - $60,000,000 in the construction of new manufacturing space
  - $19,000,000 in the construction of a new administrative office space
- JCB North America will invest an additional $100,000,000 in machinery and equipment over a period of 60 months in Chatham County.
- JCB North America will create 1,950 net new Full Time Equivalent (FTE) positions with all wages above $20.00/hour per employee over a period of 5 years.
- JCB North America will occupy the building in question and will not sub-lease space while the property is under abatement.
- JCB North America will provide an accurate and timely response to SEDA's annual project verification outreach request.

We know that the company is considering multiple locations and that the following incentives are integral to the company choosing Chatham County.

JCB North America is eligible for a 15-year property tax abatement on its land and new facility. The abatement will follow the schedule below:

- 100% abatement of all ad valorem taxes relating to land and building for the first 5 years (years 1-5)
- 75% abatement of all ad valorem taxes relating to land and building for the following 5 years (years 6-10)
- 50% abatement of all ad valorem taxes relating to land and building for remaining 5 years (years 11-15).

Based on an investment of $131,500,000 in real property (land valued $52,500,000 & $79,000,000 in building construction), **the total estimated real property tax savings is $20,279,864.**

As a result of the resolution of ordinance adopted by Chatham County Commissioners on October 10, 2024, SEDA is pleased to offer JCB North America a personal property, ad valorem tax abatement on machinery and equipment over the three-year period of investment, with the value of each year's investment receiving a seven-year abatement. JCB North America will make payments in lieu of taxes **based on an investment of $100,000,000 in personal property resulting in a tax savings of $5,521,058.10.**

**Combined totals represent approximately $25,800,922.10 in local real property and personal property tax savings.**

*SEDA will also provide a permitting ombudsman to help expedite permitting and paperwork.*

We are grateful for the opportunity to work with you on this project and look forward to supporting you and the company throughout this process.

*This incentive proposal is subject to approval by the SEDA Board of Directors.*

Best Regards,

Hugh "Trip" Tollison
President & CEO

Agreed to by ________________________________________ on ____________________
*Company representative full name and signature* *Date*

*This offer is good for 30 days from the date of the letter. Returning a signed copy of this document to the Savannah Economic Development Authority indicates a company's intention to accept the incentives listed above and locate its facility in Chatham County will initiate the execution of incentive programs. By accepting this offer the company agrees to a public announcement regarding its chosen location, and its planned job creation and investment numbers.*

***This incentive Letter reflects the intention of SEDA, but for the avoidance of doubt neither this letter nor its acceptance shall give rise to any legally binding or enforceable obligation on SEDA until a final definitive development agreement has been executed and delivered by SEDA and JCB North America.***

QUICKSTART
TECHNICAL COLLEGE SYSTEM OF GEORGIA

*April 14, 2023*

Bob Kosek
Georgia Department of Economic Development
75 Fifth Street, N.W., Suite 1200
Atlanta, GA 30308

Dear Bob,

We are pleased to provide the following information regarding the potential value of Quick Start's training services for Project Bridgerton.

One way to measure Quick Start's value is to estimate the price of comparable training services if purchased in the private sector marketplace. To determine the scope of Quick Start services required to provide optimum support for Project Bridgerton's proposed operation, an in-depth training needs analysis is essential. Without the information gained from such an analysis, the scope of services and corresponding value is based on past experience, assumptions and the limited project information that has been provided to us thus far.

Using this and Project Bridgerton's **1,950** new jobs as a basis, we estimate that Quick Start's workforce solutions could amount to a **market value of $5,134,750.** This figure represents the estimated price of the anticipated training services if purchased on the open market. It does not represent a financial commitment on behalf of the Technical College System of Georgia, Quick Start, or the State of Georgia. To review the types of support that Quick Start and the technical colleges may provide, we are including the following information.

Quick Start support is offered based on the company's commitment to create the noted full-time, permanent jobs. Timely fulfillment of this commitment is required in order for Quick Start to deliver the services that will be outlined in the training plan.

## Quick Start's Strategic Workforce Solutions

Quick Start develops and delivers fully customized, strategic workforce solutions for its client companies. This includes performance-based training to equip new hires with the technical and interpersonal skills needed to achieve the company's quality and productivity goals in the shortest possible time. Quick Start services are provided **free of charge** to qualified companies as an incentive for job creation. Our strategic workforce solution for Project Bridgerton would include a comprehensive needs analysis, program design, high-quality customized training materials, and instruction.

Over the past 20 years, Quick Start has ranked No. 1 in the U.S. in published surveys of site selection professionals, most recently in all 13 of the past 13 surveys of site consultants conducted by *Area Development* magazine. Since our beginning in 1967, we have developed training for thousands of expansion and relocation projects implemented by an extensive range of manufacturing, distribution and service industries. This experience includes training workers in a variety of manufacturing operations for industry leaders including those listed below.

- Fox Factory Inc.
- ZF Gainesville LLC
- JCB Inc.
- Wincore Windows & Doors
- Check-Mate Industries
- Pratt & Whitney
- Boeing
- Briggs and Stratton
- Gulfstream
- Kubota
- Hyundai Transys
- Rinnai America

Through this experience, Quick Start has become very familiar with the systems, equipment, and materials that may be used by Project Bridgerton. This foundation will enable us to rapidly identify Project Bridgerton's requirements, develop materials, and deliver training that is fully customized to the company's processes. The following list indicates the type of customized training that Quick Start may provide.

- Coil processing
- Blanking and stamping
- Welding
- Forging
- Assembly
- Introduction to fixtures
- Introduction to pneumatics
- Robotics
- Sensor operation
- Sensor troubleshooting
- Inspection process
- Inspection tools
- Welding quality
- Documentation
- Metrology

Quick Start enhances job-specific training with instruction in core skills, quality systems, productivity enhancement, team collaboration skills, instructor skills, and leadership. Examples include:

- Teamwork introduction
- Communication skills
- Personal style assessment
- Cross-cultural skills
- Lean manufacturing
- 5S visual factory
- Kaizen events
- Six Sigma
- Problem solving

## CNC Machining and Welding Training

Quick Start has extensive experience creating and delivering training in specific machining skills, including CNC and welding. Client companies for whom Quick Start has provided this type of training include:

- Mitsubishi Hitachi
- Caterpillar
- Georgia Hydraulic Cylinders
- JCB Inc.
- Nordson
- Doosan - DII Attachments
- The HON Company
- SGD Manufacturing Inc.
- Reflek Manufacturing Inc.

These training programs in advanced metalworking have contained some of the following topics that can be customized to Project Bridgerton's specific processes and equipment:

- CNC operations
- CNC programming
- Vertical mill/Horizontal lathe
- Siemens and Fanuc controls
- Gas tungsten arc welding
- Welding electrode identification
- Welding metallurgy
- Welding defects
- General welding safety
- Welding filler material identification
- Gas metal arc welding
- Super alloy stainless steel
- Stick welding

QUICKSTART®
TECHNICAL COLLEGE SYSTEM OF GEORGIA

All Quick Start projects are initiated with a thorough training needs analysis conducted by an experienced team of manufacturing and training specialists. At the company's designated location, these specialists will systematically analyze each process and job classification through observation and consultation with company subject matter experts. All company-related information is treated as proprietary subject matter. **All Quick Start team members sign non-disclosure agreements prior to working on every project.**

Once the needs are understood, a written training plan is developed. It documents the topics to be addressed, schedules, and deliverables. This plan is subject to the company's review and modification. All training is delivered to meet the company's standards and schedules.

Quick Start training is available on both a pre-employment and post-employment basis. Pre-employment training develops core skills and provides an opportunity for companies to observe the work habits, technical capabilities, and team skills of each job candidate prior to final employment decisions.

Customized job-specific technical training is typically conducted after employment to protect the confidentiality of company processes. The most appropriate training approach and technology will be applied to each training topic. These may include simulations, instructor-led classroom sessions, job aids, broadcast-quality videos, training manuals, trainer guides, and animations. **All company-specific materials developed by Quick Start become the property of the client.**

For more information, please visit: www.GeorgiaQuickStart.org.

We look forward to helping Project Bridgerton succeed in Georgia and will be happy to provide any information that they may require. If you have questions, please feel free to call me at 404-253-2815.

Sincerely,

Rodger Brown

Rodger Brown
Executive Director
Georgia Quick Start

75 Fifth Street NW, Suite 400
Atlanta, GA 30308
404.253.2800
www.GeorgiaQuickStart.org

# County Depreciation Schedule

***Property Use or Type***

| **GENERAL PERSONAL PROPERTY** | **TABLE** |
|---|---|
| Aircraft Manufacturing | 1030 |
| Agricultural Implements and Machinery | 0820 |
| Air Conditioning Units, Portable or Window-Type | 0520 |
| Amusement Rides | 1230 |
| Apartment Furniture and Appliances | 0520 |
| Architects' Equipment, Non-Computerized | 1030 |
| Attorneys' Books | 0520 |
| Attorneys' Furniture | 1020 |
| Automatic Teller Machines - ATM's | 0510 |
| Automobile and General Repair Equipment and Tools | 1030 |
| Bakeries and Confectioneries | 1230 |
| Bank Equipment (Except Vaults, Safes, ATM's and Computers) | 1030 |
| Barber and Beauty Shops | 1020 |
| Bars and Taverns | 0820 |
| Billboards, Metal | 2525 |
| Billboards, Wood | 1235 |
| Boats, Non-Recreational (If not in Price Guides) | 1030 |
| Boilers and Steam Plants | 1220 |
| Bowling Alley Equipment, including Lanes & Pinsetters | 1030 |
| Breweries | 1530 |
| Buildings, Portable, On Skids | 1530 |
| Cable TV Distribution Systems, Overall | 1020 |
| Cafes, Cafeterias, Restaurants | 0820 |
| Calculators | 0510 |
| Cash Registers | 0510 |
| Car Wash, Automatic or Self-Serve | 1020 |
| Cement Manufacturing | 2030 |
| Chemical Production | 0820 |
| Child Care | 0820 |
| Clay or Ceramic Products Manufacturing | 2030 |
| Clock and Watch Repair and Manufacturing | 1230 |
| Computers and Peripherals (PC's-yes, POS-no) | 0405 |
| Computer Software | 0405 |
| Concrete Products Manufacturing | 2030 |
| Construction Equipment | 0530 |
| Coolers, Walk-in and Large Reach-In | 1030 |
| Copiers | 0510 |
| Cranes, Mobile and Tower | 0530 |
| Cranes, Overhead (Inside Warehouse or Plant) | 1030 |
| Dairies and Creameries | 1230 |
| Doctors' and Dentists' Equipment (Except Scanning & Imaging) | 1020 |
| Drafting Equipment, Manual | 1030 |
| DVD and Blue Ray Players | 0310 |
| DVD/Blue Ray Video and Game Rentals | 0405 |
| Electric Power Production and Distribution Utilities | 2030 |
| Electrical Equipment, not specifically identified | 0820 |

| GENERAL PERSONAL PROPERTY CONT. | TABLE |
|---|---|
| Electrical Equipment Manufacturing (Except Semi-Conductors) | 1020 |
| Engine Analyzers, Electronic | 0510 |
| Exercise Eqpt, Digital | 0510 |
| Exercise Eqpt, Non-Digital | 1020 |
| Facsimile Machines (FAX) | 0510 |
| Feed Mills | 1230 |
| Firearms | 1530 |
| Florists | 1020 |
| Flour Mills | 1230 |
| Food Processing | 1020 |
| Fork Lifts, Plant and Warehouse Type | 0820 |
| Fork Lifts, Rough Terrain and Construction Type | 0520 |
| Fuel Dispensers | 0820 |
| Funeral Homes (Mortuary and Embalming Equipment Only) | 1030 |
| Furniture (Except Hotel, Motel or Rental) | 1020 |
| Furniture Manufacturing, Cabinet Makers | 1030 |
| Garage Equipment (Except Engine Analyzers) | 1030 |
| Gas Distribution Utilities | 2030 |
| Golf Course Equipment | 0520 |
| Home Improvement Furniture, Fixtures, & Equipment | 0820 |
| Hospital Equipment, not specifically identified | 1020 |
| Hotel and Motel - Room Furnishings Only | 0520 |
| Ice Plants | 1530 |
| Industrial Steam & Electric Generation | 2030 |
| Jewelry Repair and Manufacturing Equipment | 1030 |
| Laboratory Equipment | 0820 |
| Laundry and Cleaning, Self- Service (Laundromats) | 0520 |
| Laundry and Dry-Cleaning Plants | 1030 |
| Leather Products Manufacturing and Tanning | 1030 |
| Machine Shops | 1030 |
| Machinery Manufacturing | 1230 |
| Mailing Equipment, Including Postage Meters | 1020 |
| Material Handling Equipment | 1030 |
| Mattress Factories | 1230 |
| Medical Equipment, not specifically identified | 1020 |
| Medical Equipment, x-ray | 1020 |
| Medical Equipment, Electrical | 0510 |
| Medical Scanning and Imaging (No X-ray Equipment) | 0510 |
| Meat Packing | 1230 |
| Metal Products Manufacturing | 1230 |
| Molds, Dies & Tools | 0310 |
| Motor Vehicle & Parts Manufacturing-Standard | 1020 |
| Motor Vehicle & Parts Manufacturing-High Tech | 0510 |
| Moving and Storage Equipment | 0820 |
| Newspaper Publishing (Presses Only) | 1230 |
| Nursing and Convalescent Homes, not specifically identified | 1020 |
| Nurseries (Garden Shops) and Lawn Maintenance | 0520 |
| Office Equipment, not specifically identified | 0510 |
| Optical Products Manufacturing, including Eyeglasses | 1230 |
| Pagers (Does not include transmitting equipment) | 0310 |
| Paint Manufacturing | 1020 |

| **GENERAL PERSONAL PROPERTY CONT.** | **TABLE** |
|---|---|
| Personal Computers and Peripherals (not POS or Medical) | 0405 |
| Petroleum Exploration, Drilling and Well Service | 1230 |
| Petroleum Products Refining | 1530 |
| Photographers' Equipment (Other than digital cameras) | 0820 |
| Photographers' Equipment (digital cameras only) | 0405 |
| Photo Processing, Automatic Only | 0520 |
| Pipelines | 2030 |
| Plating and Metal Refinishing | 0820 |
| Plastic and Fiberglass Products Manufacturing Eqpt Only | 0820 |
| Plastic and Fiberglass Products Mfg. Molds and Dies Only | 0310 |
| Point of Sale Equipment (POS) | 0510 |
| Printing and Binding (Except Newspapers) | 0820 |
| Professional Instruments, Non-Computerized | 1230 |
| Quarry Equipment and Crushers | 1030 |
| Radio and Television Broadcasting (Except Towers) | 0820 |
| Radio and Television Receivers and Monitors | 0510 |
| Radios, Mobile | 0510 |
| Railcars and Locomotives | 1530 |
| Railroad Track, Switches and Signals | 2030 |
| Recording Studios | 0820 |
| Refrigerators in Restaurant Use Only (Except Walk-in) | 0820 |
| Rental Equipment Construction | 0520 |
| Rental Formal Wear (Tuxedos, Dresses, etc.) | 0310 |
| Rental Furniture & Appliances | 0414 |
| Restaurant Furniture, Fixtures and Equipment | 0820 |
| Safes, Vault Doors and Safe Deposit Boxes | 2030 |
| Scientific Instruments, Non-Computerized | 1230 |
| Security Equipment (Except Firearms) | 0820 |
| Signs (Except Billboards) | 1020 |
| Soft Drink Bottling | 1230 |
| Software, Computer | 0405 |
| Solar Panel Equipment | 1020 |
| Solar Power Inverters | 1020 |
| Solar Power Tracking Equipment | 1020 |
| Store Fixtures | 0820 |
| Tanks, Above Ground (Part of Industrial Process Only) | 1530 |
| Tanks, Portable | 1030 |
| Telephone Systems, Office | 0510 |
| Telephones, Portable | 0510 |
| Television and Video Production | 0820 |
| Television Receivers and Monitors | 0510 |
| Textile and Garment Manufacturing | 1030 |
| Theater Concession/Snack Bar Equipment | 0820 |
| Theater Seats | 0520 |
| Theater Projection and Sound Equipment | 0820 |
| Tire Recapping and Rubber Products Manufacturing | 1230 |
| Tire Repair | 1030 |
| Towers, Broadcasting or Telecommunications | 1530 |
| Trade Display Fixtures and Sets | 0310 |
| Trailers used for Mobile Offices and Equipment Storage | 1020 |
| Transcription Equipment, Dictaphones, Tape Recorders | 0510 |

3-5-10-15-20% RESIDUAL VALUE TABLES (DCODES) - 2023 TAX YEAR

| YR | AGE | 0310 | 0405 | 0414 | 0510 | 0515 | 0520 | 0703 | 0820 | 1020 | 1220 | 2510 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 22 | 1 | .70 | .60 | .65 | .75 | .80 | .87 | .77 | .91 | .93 | .94 | .96 |
| 21 | 2 | .50 | .40 | .52 | .62 | .67 | .74 | .51 | .82 | .86 | .88 | .92 |
| 20 | 3 | .30 | .20 | .43 | .49 | .54 | .60 | .35 | .74 | .79 | .82 | .88 |
| 19 | 4 | .10 | .10 | .28 | .36 | .41 | .47 | .24 | .65 | .72 | .76 | .84 |
| 18 | 5 | | .05 | .14 | .23 | .28 | .34 | .14 | .56 | .65 | .70 | .80 |
| 17 | 6 | | | | .10 | .15 | .20 | .09 | .47 | .57 | .64 | .76 |
| 16 | 7 | | | | | | | .06 | .38 | .49 | .58 | .72 |
| 15 | 8 | | | | | | | .03 | .29 | .41 | .52 | .68 |
| 14 | 9 | | | | | | | | .20 | .34 | .46 | .64 |
| 13 | 10 | | | | | | | | | .27 | .40 | .60 |
| 12 | 11 | | | | | | | | | .20 | .34 | .56 |
| 11 | 12 | | | | | | | | | | .28 | .52 |
| 10 | 13 | | | | | | | | | | .20 | .48 |
| 09 | 14 | | | | | | | | | | | .44 |
| 08 | 15 | | | | | | | | | | | .40 |
| 07 | 16 | | | | | | | | | | | .36 |
| 06 | 17 | | | | | | | | | | | .32 |
| 05 | 18 | | | | | | | | | | | .28 |
| 04 | 19 | | | | | | | | | | | .24 |
| 03 | 20 | | | | | | | | | | | .22 |
| 02 | 21 | | | | | | | | | | | .20 |
| 01 | 22 | | | | | | | | | | | .18 |
| 00 | 23 | | | | | | | | | | | .16 |
| 99 | 24 | | | | | | | | | | | .14 |
| 98 | 25 | | | | | | | | | | | .12 |
| 97 | 26 | | | | | | | | | | | .10 |

BEXAR APPRAISAL DISTRICT - PERSONAL PROPERTY DIVISION
30% RESIDUAL VALUE TABLES (DCODES) - 2023 TAX YEAR

| YR | AGE | 0530 | 1030 | 1230 | 1530 | 2030 |
|---|---|---|---|---|---|---|
| 22 | 1 | .88 | .94 | .95 | .96 | .967 |
| 21 | 2 | .76 | .88 | .90 | .92 | .934 |
| 20 | 3 | .64 | .82 | .85 | .88 | .901 |
| 19 | 4 | .53 | .76 | .80 | .84 | .868 |
| 18 | 5 | .42 | .70 | .75 | .80 | .835 |
| 17 | 6 | .30 | .64 | .70 | .76 | .802 |
| 16 | 7 | | .57 | .64 | .72 | .769 |
| 15 | 8 | | .50 | .58 | .68 | .736 |
| 14 | 9 | | .43 | .52 | .64 | .703 |
| 13 | 10 | | .36 | .46 | .60 | .670 |
| 12 | 11 | | .30 | .40 | .55 | .637 |
| 11 | 12 | | | .35 | .50 | .604 |
| 10 | 13 | | | .30 | .45 | .571 |
| 09 | 14 | | | | .40 | .538 |
| 08 | 15 | | | | .35 | .505 |
| 07 | 16 | | | | .30 | .472 |
| 06 | 17 | | | | | .439 |
| 05 | 18 | | | | | .406 |
| 04 | 19 | | | | | .373 |
| 03 | 20 | | | | | .340 |
| 02 | 21 | | | | | .300 |

25-35% RESIDUAL VALUE TABLES FOR BILLBOARDS - 2023 TAX YEAR

| YR | AGE | (WOOD) 1235 | (STEEL) 2525 |
|---|---|---|---|
| 22 | 1 | .95 | .97 |
| 21 | 2 | .90 | .94 |
| 20 | 3 | .85 | .91 |
| 19 | 4 | .80 | .88 |
| 18 | 5 | .75 | .85 |
| 17 | 6 | .70 | .82 |
| 16 | 7 | .65 | .79 |
| 15 | 8 | .60 | .76 |
| 14 | 9 | .55 | .73 |
| 13 | 10 | .50 | .70 |
| 12 | 11 | .45 | .67 |
| 11 | 12 | .40 | .64 |
| 10 | 13 | .35 | .61 |
| 09 | 14 | | .58 |
| 08 | 15 | | .55 |
| 07 | 16 | | .52 |
| 06 | 17 | | .49 |
| 05 | 18 | | .46 |
| 04 | 19 | | .43 |
| 03 | 20 | | .40 |
| 02 | 21 | | .37 |
| 01 | 22 | | .34 |
| 00 | 23 | | .31 |
| 99 | 24 | | .28 |
| 98 | 25 | | .25 |

# Average Weekly Wage (BEXAR)

| Year | Period | Area | Area Number | Ownership | Industry Code | Industry | Level | Establishments | Firms | Average Employment | Average Weekly Wage | Total Wages | Month 1 Employment | Month 2 Employment | Month 3 Employment | Hierarchical Ordering |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | 04 | Bexar | 000029 | Total All | 10 | Total, All Industries | 0 | 45,152 | 36,213 | 883,920 | 1,228 | 14,115,322,668 | 879,193 | 884,578 | 887,989 | 1 |
| 2022 | 01 | Bexar | 000029 | Total All | 10 | Total, All Industries | 0 | 45,321 | 36,247 | 883,025 | 1,191 | 13,667,581,953 | 875,220 | 887,076 | 886,778 | 1 |
| 2022 | 02 | Bexar | 000029 | Total All | 10 | Total, All Industries | 0 | 45,417 | 36,232 | 893,046 | 1,141 | 13,242,565,933 | 892,841 | 893,856 | 892,440 | 1 |
| 2022 | 03 | Bexar | 000029 | Total All | 10 | Total, All Industries | 0 | 45,477 | 36,181 | 901,466 | 1,182 | 13,846,478,168 | 897,995 | 902,065 | 904,337 | 1 |

| | | |
|---|---|---|
| **Sum of AWW:** | **$** | **4,742.00** |
| **Average of AWW:** | **$** | **1,185.50** |
| **Average Annual Wage:** | **$** | **61,646.00** |

# Economic Impact Analysis

# A Report of the Economic Impact on the State of Texas from JCB, Inc. in San Antonio, TX

June 27, 2023

Prepared by:

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# Executive Summary

**The Project**

JCB, Inc. plans an equipment manufacturing facility in San Antonio.  The facility will produce telescopic handlers, aerial work platforms and two variants of the aerial work platforms. The facility is expected to produce 15,000 units in year one and 33,000 units in years two and three.

The company will invest $265.8 million in the facility over the first six years:  $20 million for land, $113 million for buildings and other real property improvements and $132.8 million for machinery and equipment.

The plant will create 1,580 new jobs over the first six years with initial average annual salaries of $54,889.

**Total Capital Investment and Employment that Will be Maintained**

Over the first ten years, the facility will have the following total capital investment and number of permanent jobs that will be maintained at this facility:

**Total Capital Investment and Permanent Employment That Will Be Maintained**

| Year | Cumulative Level of Capital Investment | Level of Permanent Employment |
|---|---|---|
| 2023 | $28,100,000 | 0 |
| 2024 | $112,000,000 | 0 |
| 2025 | $203,000,000 | 0 |
| 2026 | $232,900,000 | 0 |
| 2027 | $257,600,000 | 995 |
| 2028 | $265,800,000 | 1,580 |
| 2029 | $265,800,000 | 1,580 |
| 2030 | $265,800,000 | 1,580 |
| 2031 | $265,800,000 | 1,580 |
| 2032 | $265,800,000 | 1,580 |

**Economic Output During Construction**

The economic impact/increase in gross state product during construction of buildings and improvements will be as follows:

| Economic Impact of Construction at the Firm's Facility | | | |
|---|---|---|---|
| | Direct | Indirect and Induced | Total |
| Economic output/increase in gross state product | $217,900,000 | $351,952,080 | $569,852,080 |
| Construction employment | 242 | 308 | 550 |
| Payroll/increase in state personal income | $87,160,000 | $118,249,972 | $205,409,972 |

**Economic Impacts During the Facility's Operations**

*Total Economic Output/Increase in State Gross Product*

The total annual economic output/increase in gross state product during the facility's operations is shown below.

| Total Economic Output/Increase in Gross State Product During the Facility's Operations | | | |
|---|---|---|---|
| Year | Direct | Indirect and Induced | Total Economic Output |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $204,083,399 | $247,144,996 | $451,228,395 |
| 2028 | $1,118,006,511 | $1,353,905,885 | $2,471,912,396 |
| 2029 | $1,229,852,009 | $1,489,350,783 | $2,719,202,792 |
| 2030 | $1,302,354,946 | $1,577,151,840 | $2,879,506,786 |
| 2031 | $1,382,988,039 | $1,674,798,515 | $3,057,786,554 |
| 2032 | $1,465,739,008 | $1,775,009,939 | $3,240,748,947 |
| Total | $6,703,023,912 | $8,117,361,957 | $14,820,385,869 |

*Total Employment During the Facility's Operations*

Total employment to be maintained during the facility's operations is shown below.

| Total Employment During the Facility's Operations | | | |
|---|---|---|---|
| Year | Direct | Indirect and Induced | Total Jobs |
| 2023 | 0 | 0 | 0 |
| 2024 | 0 | 0 | 0 |
| 2025 | 0 | 0 | 0 |
| 2026 | 0 | 0 | 0 |
| 2027 | 995 | 2,013 | 3,008 |
| 2028 | 1,580 | 3,197 | 4,777 |
| 2029 | 1,580 | 3,197 | 4,777 |
| 2030 | 1,580 | 3,197 | 4,777 |
| 2031 | 1,580 | 3,197 | 4,777 |
| 2032 | 1,580 | 3,197 | 4,777 |

*Total Payroll/State Personal Income During the Facility's Operations*

Total payroll/state personal income during the facility's operations is shown below.

| Total Payroll/State Personal Income During the Facility's Operations | | | |
|---|---|---|---|
| Year | Direct | Indirect and Induced | Total Payroll |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $54,614,555 | $90,993,310 | $145,607,865 |
| 2028 | $89,326,359 | $148,826,646 | $238,153,005 |
| 2029 | $92,006,149 | $153,291,445 | $245,297,595 |
| 2030 | $94,766,334 | $157,890,189 | $252,656,523 |
| 2031 | $97,609,324 | $162,626,894 | $260,236,218 |
| 2032 | $100,537,604 | $167,505,701 | $268,043,305 |

**Retail Sales During Construction and Operations**

Retail sales in the state during construction projects at the facility are shown below:

| Retail Sales During Construction | |
|---|---|
| Retail sales during construction | $86,297,593 |

Retail sales in the state during the facility's operations are shown below.

| Retail Sales During the Facility's Operations | |
|---|---|
| 2023 | $150,000 |
| 2024 | $159,000 |
| 2025 | $168,540 |
| 2026 | $178,652 |
| 2027 | $72,966,086 |
| 2028 | $253,411,429 |
| 2029 | $274,417,831 |
| 2030 | $288,749,172 |
| 2031 | $304,529,747 |
| 2032 | $320,732,625 |
| Total | $1,515,463,083 |

**State Revenues**

During construction, the State of Texas will receive the following revenues:

| State Revenues During Construction | |
|---|---|
| State revenues during construction | $9,212,615 |

During the facility's operations, the state will receive revenues as shown below.

| State Revenues During the Facility's Operations | |
|---|---|
| 2023 | $27,375 |
| 2024 | $28,478 |
| 2025 | $29,630 |
| 2026 | $30,835 |
| 2027 | $8,679,254 |
| 2028 | $25,225,574 |
| 2029 | $27,085,991 |
| 2030 | $28,400,655 |
| 2031 | $29,838,687 |
| 2032 | $31,315,642 |
| Total | $150,662,119 |

Details of information summarized above in this executive summary are on the following pages.

# A Report of the Economic Impact of JCB, Inc.

## Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, Austin Texas. The analysis was to determine the economic impact of JCB, Inc. in
San Antonio, Texas on the state during the first ten years of the construction and operations of the facility and the financial impact on the State of Texas during this same period.

## A Description of the Facility and Its Operations

JCB, Inc. plans an equipment manufacturing facility in San Antonio. The facility will produce telescopic handlers, aerial work platforms and two variants of the aerial work platforms. The facility is expected to produce 15,000 units in year one and 33,000 units in years two and three.

The company will invest $265.8 million in the facility over the first six years: $20 million for land, $113 million for buildings and other real property improvements and $132.8 million for machinery and equipment.

The plant will create 1,580 new jobs over the first six years with initial average annual salaries of $54,889.

## Timeline for Permanent Employment and Investment

The facility's timeline for total jobs to be created and investment over the next ten years will be as follows:

**Timeline for Permanent Employment and Investment**

| Year | Number of New Workers to be Hired Each Year | Land | Buildings and Other Real Property Improvements | Machinery and Equipment | Total Capital Investment |
|---|---|---|---|---|---|
| 2023 | 0 | $20,000,000 | $8,100,000 | $0 | $28,100,000 |
| 2024 | 0 | $0 | $54,900,000 | $29,000,000 | $83,900,000 |
| 2025 | 0 | $0 | $46,000,000 | $45,000,000 | $91,000,000 |
| 2026 | 0 | $0 | $4,000,000 | $25,900,000 | $29,900,000 |
| 2027 | 995 | $0 | $0 | $24,700,000 | $24,700,000 |
| 2028 | 585 | $0 | $0 | $8,200,000 | $8,200,000 |
| 2029 | | $0 | $0 | $0 | $0 |
| 2030 | | $0 | $0 | $0 | $0 |
| 2031 | | $0 | $0 | $0 | $0 |
| 2032 | | $0 | $0 | $0 | $0 |
| Total | 1,580 | $20,000,000 | $113,000,000 | $132,800,000 | $265,800,000 |

## Total Capital Investment and Total Employment

The facility's proposed capital investment and total employment will be as follows:

| Total Capital Investment and Employment Over the First Ten Years | |
|---|---|
| Total capital investment | $265,800,000 |
| Total employment | 1,580 |

## Economic Impacts During Construction

The facility plans to spend the following estimated amounts on construction at the facility:

| Construction Costs | |
|---|---|
| 2023 | $113,000,000 |
| 2024 | $54,900,000 |
| 2025 | $46,000,000 |
| 2026 | $4,000,000 |
| 2027 | $0 |
| 2028 | $0 |
| 2029 | $0 |
| 2030 | $0 |
| 2031 | $0 |
| 2032 | $0 |
| Total | $217,900,000 |

**Construction Economic Output/Increase in Gross State Product**

The facility's construction projects will provide direct, indirect and induced economic output/increase in gross state product, as shown below.

**Economic Output/Increase in Gross State Product During Construction**

| Year | Direct Construction Output | Indirect and Induced Output | Total Output |
|---|---|---|---|
| 2023 | $113,000,000 | $182,517,600 | $295,517,600 |
| 2024 | $54,900,000 | $88,674,480 | $143,574,480 |
| 2025 | $46,000,000 | $74,299,200 | $120,299,200 |
| 2026 | $4,000,000 | $6,460,800 | $10,460,800 |
| 2027 | $0 | $0 | $0 |
| 2028 | $0 | $0 | $0 |
| 2029 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 |
| Total | $217,900,000 | $351,952,080 | $569,852,080 |

An explanation of the multipliers used to calculate indirect and induced impacts is included later in this report.

**Construction Employment**

The estimated number of construction workers for a hypothetical construction project is shown below.

| Number of Construction Workers for a Hypothetical $1 Million Construction Project | |
|---|---|
| Total estimated construction | $1,000,000 |
| Estimated on-site labor costs as a percentage of construction costs | 40% |
| Estimated annual construction worker's salary | $60,000 |
| Estimated number of construction workers for $1 million one year construction project | 6.67 |

Using the above average construction worker estimate, the number of construction workers employed during the facility's construction is shown below.

**Construction Workers Employed During Construction**

| Year | Construction Costs | Number of Construction Jobs Supported Each Year |
|---|---|---|
| 2023 | $113,000,000 | 753 |
| 2024 | $54,900,000 | 366 |
| 2025 | $46,000,000 | 307 |
| 2026 | $4,000,000 | 27 |
| 2027 | $0 | 0 |
| 2028 | $0 | 0 |
| 2029 | $0 | 0 |
| 2030 | $0 | 0 |
| 2031 | $0 | 0 |
| 2032 | $0 | 0 |
| Total | $217,900,000 | |
| Average construction jobs per year | | 242 |

During construction, the following number of direct, indirect and induced jobs will be supported each year:

| **Direct, Indirect and Induced Employment During Construction** | | | |
|---|---|---|---|
| Year | Direct Construction Employment | Indirect and Induced Employment | Total Employment |
| 2023 | 753 | 957 | 1,711 |
| 2024 | 366 | 465 | 831 |
| 2025 | 307 | 390 | 696 |
| 2026 | 27 | 34 | 61 |
| 2027 | 0 | 0 | 0 |
| 2028 | 0 | 0 | 0 |
| 2029 | 0 | 0 | 0 |
| 2030 | 0 | 0 | 0 |
| 2031 | 0 | 0 | 0 |
| 2032 | 0 | 0 | 0 |
| Annual average | 242 | 308 | 550 |

**Construction Payroll**

Construction workers will have the following payrolls:

| Direct Construction Payroll | | |
|---|---|---|
| Year | Construction Costs | Total Construction Payroll |
| 2023 | $113,000,000 | $45,200,000 |
| 2024 | $54,900,000 | $21,960,000 |
| 2025 | $46,000,000 | $18,400,000 |
| 2026 | $4,000,000 | $1,600,000 |
| 2027 | $0 | $0 |
| 2028 | $0 | $0 |
| 2029 | $0 | $0 |
| 2030 | $0 | $0 |
| 2031 | $0 | $0 |
| 2032 | $0 | $0 |
| Total | $217,900,000 | $87,160,000 |

The direct, indirect and induced payrolls during construction will be the following:

| Direct, Indirect and Induced Payroll During Construction | | | |
|---|---|---|---|
| Year | Direct Construction Payroll | Indirect and Induced Payroll | Total Payroll |
| 2023 | $45,200,000 | $61,322,840 | $106,522,840 |
| 2024 | $21,960,000 | $29,793,132 | $51,753,132 |
| 2025 | $18,400,000 | $24,963,280 | $43,363,280 |
| 2026 | $1,600,000 | $2,170,720 | $3,770,720 |
| 2027 | $0 | $0 | $0 |
| 2028 | $0 | $0 | $0 |
| 2029 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 |
| Total | $87,160,000 | $118,249,972 | $205,409,972 |

## Fiscal Impacts During Construction

**Taxable Sales**

The percent of construction costs for building materials and the percent of total worker salaries to be spent on taxable goods and services are shown below.

| Percent of Construction Costs and Worker Salaries Subject to Sales Tax | |
|---|---|
| Percent of construction costs for materials | 60% |
| Estimated percent of construction materials that may be subject to sales tax | 15% |
| Percent of worker salaries spent on taxable goods and services | 26% |
| Estimated percent of machinery and equipment subject to sales tax | 10% |

The facility's construction projects will result in the following taxable sales:

| Estimated Taxable Sales | | | | | |
|---|---|---|---|---|---|
| Year | Estimated Taxable Machinery and Equipment | Estimated Total Construction Materials | Estimated Taxable Construction Materials | Estimated Taxable Worker Spending | Total Taxable Sales |
| 2023 | $0 | $67,800,000 | $10,170,000 | $27,695,938 | $37,865,938 |
| 2024 | $2,900,000 | $32,940,000 | $4,941,000 | $13,455,814 | $21,296,814 |
| 2025 | $4,500,000 | $27,600,000 | $4,140,000 | $11,274,453 | $19,914,453 |
| 2026 | $2,590,000 | $2,400,000 | $360,000 | $980,387 | $3,930,387 |
| 2027 | $2,470,000 | $0 | $0 | $0 | $2,470,000 |
| 2028 | $820,000 | $0 | $0 | $0 | $820,000 |
| 2029 | $0 | $0 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 | $0 | $0 |
| Total | $13,280,000 | $130,740,000 | $19,611,000 | $53,406,593 | $86,297,593 |

**Sales Tax Collections**

With a 6.25% sales tax, the state will collect the following sales tax on machinery and equipment, construction materials and construction worker spending:

| Estimated Sales Tax Collections During Construction | | | | |
|---|---|---|---|---|
| Year | On Taxable Machinery & Equipment | On Construction Materials | On Taxable Worker Spending | Total Sales Tax Collections |
| 2023 | $0 | $635,625 | $1,730,996 | $2,366,621 |
| 2024 | $181,250 | $308,813 | $840,988 | $1,331,051 |
| 2025 | $281,250 | $258,750 | $704,653 | $1,244,653 |
| 2026 | $161,875 | $22,500 | $61,274 | $245,649 |
| 2027 | $154,375 | $0 | $0 | $154,375 |
| 2028 | $51,250 | $0 | $0 | $51,250 |
| 2029 | $0 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 | $0 |
| Total | $830,000 | $1,225,688 | $3,337,912 | $5,393,600 |

**Taxable Margins Subject to Texas Franchise Tax**

If direct, indirect and induced revenues during construction are revenues for organizations subject to Texas' franchise tax, their taxable margins will be subject to the tax. If this is the case, and the estimated taxable margins of the construction companies and indirect and induced companies are 10% of revenues, then construction on this project will result in the following taxable margins:

**Estimated Taxable Margins During Construction Subject to Texas' Franchise Tax**

| Year | On Direct Revenues During Construction | On Indirect and Induced Revenues | Total Taxable Margins |
|---|---|---|---|
| 2023 | $11,300,000 | $18,251,760 | $29,551,760 |
| 2024 | $5,490,000 | $8,867,448 | $14,357,448 |
| 2025 | $4,600,000 | $7,429,920 | $12,029,920 |
| 2026 | $400,000 | $646,080 | $1,046,080 |
| 2027 | $0 | $0 | $0 |
| 2028 | $0 | $0 | $0 |
| 2029 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 |
| Total | $21,790,000 | $35,195,208 | $56,985,208 |

**Franchise Tax Collections**

Texas franchise tax is a tax on "taxable margin," which is a concept similar to taxable income. Generally, an entity's taxable margin is its revenue less either its cost of goods sold or its compensation expense, but not both. If 70% of the entity's revenue is less than either of these calculations, then 70% of revenue is the taxable margin. Taxable margin must then be apportioned to business done in Texas, measured by the ratio of gross receipts from business done in Texas to gross receipts from business done everywhere. The tax rate is then applied to the apportioned margin. A rate of .375% is used for taxable entities primarily engaged in retail or wholesale trade, and a .75% rate is used for all other entities.

The estimated franchise tax to be collected by the state from construction companies and indirect and induced businesses is shown below.

| Estimated Franchise Tax Collections During Construction | | |
|---|---|---|
| Year | Total Taxable Margins | Franchise Tax Collections |
| 2023 | $29,551,760 | $221,638 |
| 2024 | $14,357,448 | $107,681 |
| 2025 | $12,029,920 | $90,224 |
| 2026 | $1,046,080 | $7,846 |
| 2027 | $0 | $0 |
| 2028 | $0 | $0 |
| 2029 | $0 | $0 |
| 2030 | $0 | $0 |
| 2031 | $0 | $0 |
| 2032 | $0 | $0 |
| Total | $56,985,208 | $427,389 |

**Other Taxes and Revenues from Workers**

During the facility's construction, other taxes -- in addition to sales and franchise taxes -- will be collected for the State's general fund. The estimated annual collections from each worker of these other taxes during construction are the following:

| Other Revenues for the State from Each Worker During Construction | |
|---|---|
| Gasoline taxes | $38 |
| Motor vehicle sales and use taxes | $375 |
| Cigarette and tobacco taxes | $141 |
| Alcohol beverage taxes | $154 |
| Net lottery proceeds | $298 |
| Total | $1,006 |

Other taxes and revenues from workers for the State during construction will be the following:

| Other Revenues for the State from Workers During Construction | | | | | | |
|---|---|---|---|---|---|---|
| Year | Gasoline Taxes | Motor Vehicle Sales and Use Taxes | Cigarette and Tobacco Taxes | Alcoholic Beverage Taxes | Net Lottery Proceeds | Total Other Taxes and Revenues |
| 2023 | $64,153 | $641,529 | $241,257 | $263,535 | $510,318 | $1,720,793 |
| 2024 | $32,103 | $321,031 | $120,729 | $131,877 | $255,371 | $861,112 |
| 2025 | $27,706 | $277,058 | $104,192 | $113,813 | $220,392 | $743,160 |
| 2026 | $2,481 | $24,815 | $9,332 | $10,194 | $19,739 | $66,561 |
| 2027 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2028 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2029 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 | $0 | $0 | $0 |
| Total | $126,443 | $1,264,433 | $475,510 | $519,419 | $1,005,821 | $3,391,626 |

**Summary of General Fund Revenues for the State During Construction**

During the facility's construction projects, the State will receive the following revenues for its general fund:

| General Fund Revenues for the State During Construction | | | | |
|---|---|---|---|---|
| Year | Sales Tax Collections | Franchise Tax Collections | Other Taxes and Revenues | Total Revenues |
| 2023 | $2,366,621 | $221,638 | $1,720,793 | $4,309,052 |
| 2024 | $1,331,051 | $107,681 | $861,112 | $2,299,844 |
| 2025 | $1,244,653 | $90,224 | $743,160 | $2,078,038 |
| 2026 | $245,649 | $7,846 | $66,561 | $320,056 |
| 2027 | $154,375 | $0 | $0 | $154,375 |
| 2028 | $51,250 | $0 | $0 | $51,250 |
| 2029 | $0 | $0 | $0 | $0 |
| 2030 | $0 | $0 | $0 | $0 |
| 2031 | $0 | $0 | $0 | $0 |
| 2032 | $0 | $0 | $0 | $0 |
| Total | $5,393,600 | $427,389 | $3,391,626 | $9,212,615 |

## Economic Impacts During the Facility's Operations

The facility's estimated annual revenues during the first ten years are shown below:

| Facility's Estimated Annual Operating Revenues Over the First Ten Years of Operations | | |
|---|---|---|
| | | Total Operating Revenues |
| 2023 | Year 1 | $0 |
| 2024 | Year 2 | $0 |
| 2025 | Year 3 | $0 |
| 2026 | Year 4 | $0 |
| 2027 | Year 5 | $204,083,399 |
| 2028 | Year 6 | $1,118,006,511 |
| 2029 | Year 7 | $1,229,852,009 |
| 2030 | Year 8 | $1,302,354,946 |
| 2031 | Year 9 | $1,382,988,039 |
| 2032 | Year 10 | $1,465,739,008 |
| Total | | $6,703,023,912 |

**Economic Output During Operations**

The facility's annual operating revenues will result in the following direct, indirect and induced output:

| Output During Operations | | | |
|---|---|---|---|
| Year | Direct Operations Output | Indirect and Induced Output | Total Output |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $204,083,399 | $247,144,996 | $451,228,395 |
| 2028 | $1,118,006,511 | $1,353,905,885 | $2,471,912,396 |
| 2029 | $1,229,852,009 | $1,489,350,783 | $2,719,202,792 |
| 2030 | $1,302,354,946 | $1,577,151,840 | $2,879,506,786 |
| 2031 | $1,382,988,039 | $1,674,798,515 | $3,057,786,554 |
| 2032 | $1,465,739,008 | $1,775,009,939 | $3,240,748,947 |
| Total | $6,703,023,912 | $8,117,361,957 | $14,820,385,869 |

**Employment during Operations**

The facility expects to have the following number of new jobs:

| Number of Jobs to be Created | | |
|---|---|---|
| Year | Number of New Jobs to be Created | Cumulative Number of New Jobs |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| 2025 | 0 | 0 |
| 2026 | 0 | 0 |
| 2027 | 995 | 995 |
| 2028 | 585 | 1,580 |
| 2029 | 0 | 1,580 |
| 2030 | 0 | 1,580 |
| 2031 | 0 | 1,580 |
| 2032 | 0 | 1,580 |
| Total | 1,580 | |

Therefore, the following number of direct, indirect and induced jobs will be supported during the facility's operations:

| Direct, Indirect and Induced Employment During Operations | | | |
|---|---|---|---|
| Year | Direct Operations Employment | Indirect and Induced Employment | Total Employment |
| 2023 | 0 | 0 | 0 |
| 2024 | 0 | 0 | 0 |
| 2025 | 0 | 0 | 0 |
| 2026 | 0 | 0 | 0 |
| 2027 | 995 | 2,013 | 3,008 |
| 2028 | 1,580 | 3,197 | 4,777 |
| 2029 | 1,580 | 3,197 | 4,777 |
| 2030 | 1,580 | 3,197 | 4,777 |
| 2031 | 1,580 | 3,197 | 4,777 |
| 2032 | 1,580 | 3,197 | 4,777 |

The estimated annual payroll at the facility will be the following:

| Estimated Annual Payroll | | |
|---|---|---|
| Percent of annual increase | | 3.0% |
| Average annual salaries: | | |
| Year 1 | 2023 | $0 |
| Year 2 | 2024 | $0 |
| Year 3 | 2025 | $0 |
| Year 4 | 2026 | $0 |
| Year 5 | 2027 | $54,889 |
| Year 6 | 2028 | $56,536 |
| Year 7 | 2029 | $58,232 |
| Year 8 | 2030 | $59,979 |
| Year 9 | 2031 | $61,778 |
| Year 10 | 2032 | $63,631 |
| Annual payroll: | | |
| 2023 | | $0 |
| 2024 | | $0 |
| 2025 | | $0 |
| 2026 | | $0 |
| 2027 | | $54,614,555 |
| 2028 | | $89,326,359 |
| 2029 | | $92,006,149 |
| 2030 | | $94,766,334 |
| 2031 | | $97,609,324 |
| 2032 | | $100,537,604 |

The direct, indirect and induced payrolls during the facility's operations will be the following:

| Direct, Indirect and Induced Payroll During Operations | | | |
|---|---|---|---|
| Year | Direct Operations Payroll | Indirect and Induced Payroll | Total Payroll |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $54,614,555 | $90,993,310 | $145,607,865 |
| 2028 | $89,326,359 | $148,826,646 | $238,153,005 |
| 2029 | $92,006,149 | $153,291,445 | $245,297,595 |
| 2030 | $94,766,334 | $157,890,189 | $252,656,523 |
| 2031 | $97,609,324 | $162,626,894 | $260,236,218 |
| 2032 | $100,537,604 | $167,505,701 | $268,043,305 |
| Total | $528,860,324 | $881,134,186 | $1,409,994,510 |

## Fiscal Impacts During the Facility's Operations

### Taxable Sales on Direct and Indirect Worker Spending

An estimated 26% of the gross salaries of direct and indirect workers will be spent on taxable goods and services. If this is the case, worker spending will result in taxable sales, as shown below.

**Taxable Spending by Direct and Indirect Workers**

| Year | Worker Salaries | Workers' Taxable Spending |
|---|---|---|
| 2023 | $0 | $0 |
| 2024 | $0 | $0 |
| 2025 | $0 | $0 |
| 2026 | $0 | $0 |
| 2027 | $145,607,865 | $37,858,045 |
| 2028 | $238,153,005 | $61,919,781 |
| 2029 | $245,297,595 | $63,777,375 |
| 2030 | $252,656,523 | $65,690,696 |
| 2031 | $260,236,218 | $67,661,417 |
| 2032 | $268,043,305 | $69,691,259 |
| Total | $1,409,994,510 | $366,598,573 |

**The Facility's Taxable Sales**

The facility expects to have the following sales subject to Texas sales tax:

| The Facility's Taxable Sales | |
|---|---|
| Year | Taxable Sales |
| 2023 | $0 |
| 2024 | $0 |
| 2025 | $0 |
| 2026 | $0 |
| 2027 | $0 |
| 2028 | $0 |
| 2029 | $0 |
| 2030 | $0 |
| 2031 | $0 |
| 2032 | $0 |
| Total | $0 |

**Taxable Spending by the Facility and Indirect and Induced Companies**

The facility's estimated taxable spending is shown below along with 10% of operating expenditures of indirect and induced companies which may be spent on taxable goods and services. If this is the case, the following taxable spending can be expected from the companies:

| Taxable Spending by the Facility and Indirect Companies | | | |
|---|---|---|---|
| Year | The Facility's Estimated Taxable Spending | Estimated Taxable Spending by Indirect and Induced Companies | Total Facility and Companies' Taxable Spending |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $10,204,170 | $24,714,500 | $34,918,670 |
| 2028 | $55,900,326 | $135,390,588 | $191,290,914 |
| 2029 | $61,492,600 | $148,935,078 | $210,427,679 |
| 2030 | $65,117,747 | $157,715,184 | $222,832,931 |
| 2031 | $69,149,402 | $167,479,852 | $236,629,253 |
| 2032 | $73,286,950 | $177,500,994 | $250,787,944 |
| Total | $335,151,196 | $811,736,196 | $1,146,887,391 |

**Taxable Spending by Out-of-Town Visitors to the Facility**

Therefore, the firm expects to have the following number of out-of-town visitors to its facility along with the estimated number of days and spending:

| Spending by a Typical Out-of-State Visitor | |
|---|---|
| Estimated number of out of town visitors | 1000 |
| Annual increase in the number of out of town visitors after year 1 | 6% |
| Estimated average number of days spent visiting the facility | 2 |
| Average daily spending in the community subject to sales tax | $75 |
| Estimated number of nights in a local motel | 2 |
| Average nightly room rate at a local motel | $150 |
| Average annual increase in nightly room rate | 3% |
| Average annual increase in daily taxable spending in the community | 3% |

Therefore, taxable spending by these visitors in the community and spending on lodging subject to hotel occupancy taxes are shown below.

**Spending by Out-of-Town Visitors**

| Year | Taxable Spending in the Community | Spending on Lodging in the Community |
|---|---|---|
| 2023 | $150,000 | $300,000 |
| 2024 | $159,000 | $309,000 |
| 2025 | $168,540 | $318,270 |
| 2026 | $178,652 | $327,818 |
| 2027 | $189,372 | $337,653 |
| 2028 | $200,734 | $347,782 |
| 2029 | $212,778 | $358,216 |
| 2030 | $225,545 | $368,962 |
| 2031 | $239,077 | $380,031 |
| 2032 | $253,422 | $391,432 |
| Total | $1,977,119 | $3,439,164 |

## Total Taxable Sales

Taxable spending by workers and spending by the facility and related indirect and induced companies will result in the following total taxable sales:

| Estimated Total Taxable Sales | | | | | |
|---|---|---|---|---|---|
| Year | Workers' Taxable Spending | The Facility's Taxable Sales | The Facility and Indirect Companies' Taxable Spending | Taxable Spending by Visitors in The Community | Total Taxable Sales |
| 2023 | $0 | $0 | $0 | $150,000 | $150,000 |
| 2024 | $0 | $0 | $0 | $159,000 | $159,000 |
| 2025 | $0 | $0 | $0 | $168,540 | $168,540 |
| 2026 | $0 | $0 | $0 | $178,652 | $178,652 |
| 2027 | $37,858,045 | $0 | $34,918,670 | $189,372 | $72,966,086 |
| 2028 | $61,919,781 | $0 | $191,290,914 | $200,734 | $253,411,429 |
| 2029 | $63,777,375 | $0 | $210,427,679 | $212,778 | $274,417,831 |
| 2030 | $65,690,696 | $0 | $222,832,931 | $225,545 | $288,749,172 |
| 2031 | $67,661,417 | $0 | $236,629,253 | $239,077 | $304,529,747 |
| 2032 | $69,691,259 | $0 | $250,787,944 | $253,422 | $320,732,625 |
| Total | $366,598,573 | $0 | $1,146,887,391 | $1,977,119 | $1,515,463,083 |

**Sales Tax Collections**

With a 6.25% sales tax, the state will collect the following sales tax on the spending of workers, companies and visitors:

| Estimated Sales Tax Collections During Operations | | | | | |
|---|---|---|---|---|---|
| Year | On Workers' Spending | On The Facility's Taxable Sales | On Taxable Companies' Spending | On Taxable Spending of Visitors in the Community | Total Sales Tax Collections |
| 2023 | $0 | $0 | $0 | $9,375 | $9,375 |
| 2024 | $0 | $0 | $0 | $9,938 | $9,938 |
| 2025 | $0 | $0 | $0 | $10,534 | $10,534 |
| 2026 | $0 | $0 | $0 | $11,166 | $11,166 |
| 2027 | $2,366,128 | $0 | $2,182,417 | $11,836 | $4,560,380 |
| 2028 | $3,869,986 | $0 | $11,955,682 | $12,546 | $15,838,214 |
| 2029 | $3,986,086 | $0 | $13,151,730 | $13,299 | $17,151,114 |
| 2030 | $4,105,668 | $0 | $13,927,058 | $14,097 | $18,046,823 |
| 2031 | $4,228,839 | $0 | $14,789,328 | $14,942 | $19,033,109 |
| 2032 | $4,355,704 | $0 | $15,674,247 | $15,839 | $20,045,789 |
| Total | $22,912,411 | $0 | $71,680,462 | $123,570 | $94,716,443 |

### Hotel Occupancy Tax Collections

From the overnight lodging spending of visitors to the facility, the state will collect the following hotel occupancy taxes:

| Estimated Hotel Occupancy Tax Collections from Visitors | | |
|---|---|---|
| Year | Spending on Lodging | Total Hotel Occupancy Tax Collections |
| 2023 | $300,000 | $18,000 |
| 2024 | $309,000 | $18,540 |
| 2025 | $318,270 | $19,096 |
| 2026 | $327,818 | $19,669 |
| 2027 | $337,653 | $20,259 |
| 2028 | $347,782 | $20,867 |
| 2029 | $358,216 | $21,493 |
| 2030 | $368,962 | $22,138 |
| 2031 | $380,031 | $22,802 |
| 2032 | $391,432 | $23,486 |
| Total | $3,439,164 | $206,350 |

### Franchise Tax Collections from the Company and Indirect and Induced Businesses

Texas franchise tax is a tax on “taxable margin,” which is a concept similar to taxable income. Generally, an entity’s taxable margin is its revenue less either its cost of goods sold or its compensation expense, but not both. If 70% of the entity’s revenue is less than either of these calculations, then 70% of revenue is the taxable margin. Taxable margin must then be apportioned to business done in Texas, measured by the ratio of gross receipts from business done in Texas to gross receipts from business done everywhere. The tax rate is then applied to the apportioned margin. A rate of .375% is used for taxable entities primarily engaged in retail or wholesale trade, and a .75% rate is used for all other entities.

*Estimated Taxable Margins of the Company and Indirect and Induced Companies*

The facility's estimated taxable margins subject to Texas franchise tax may be 15% of its operating revenues and the estimated taxable margins of indirect companies may be 25% of revenues.

If this is the case, the estimated taxable margins of the company and indirect and induced companies that will be subject to corporate franchise taxes in the state of Texas are shown below.

**Revenues of the Company Subject to Franchise Taxes and Taxable Margins of Indirect and Induced Companies During Operations**

| Year | Estimated Taxable Margins of the Company Subject to Texas Franchise Taxes | Revenues of Indirect and Induced Businesses Subject to Franchise Taxes | Total Revenues Subject to Franchise Taxes |
|---|---|---|---|
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $30,612,510 | $61,786,249 | $92,398,759 |
| 2028 | $167,700,977 | $338,476,471 | $506,177,448 |
| 2029 | $184,477,801 | $372,337,696 | $556,815,497 |
| 2030 | $195,353,242 | $394,287,960 | $589,641,202 |
| 2031 | $207,448,206 | $418,699,629 | $626,147,835 |
| 2032 | $219,860,851 | $443,752,485 | $663,613,336 |
| Total | $1,005,453,587 | $2,029,340,489 | $3,034,794,076 |

*Estimated Franchise Tax Payments by the Company and Indirect and Induced Companies*

The estimated annual franchise tax payments to the State by the facility and indirect and induced businesses are shown below.

| Estimated Franchise Tax Collections from the Facility and Indirect and Induced Businesses During Operations | | | |
|---|---|---|---|
| | The Facility | Indirect Businesses | Total |
| 2023 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 |
| 2027 | $229,594 | $463,397 | $692,991 |
| 2028 | $1,257,757 | $2,538,574 | $3,796,331 |
| 2029 | $1,383,584 | $2,792,533 | $4,176,116 |
| 2030 | $1,465,149 | $2,957,160 | $4,422,309 |
| 2031 | $1,555,862 | $3,140,247 | $4,696,109 |
| 2032 | $1,648,956 | $3,328,144 | $4,977,100 |
| Total | $7,540,902 | $15,220,054 | $22,760,956 |

**Other Taxes and Revenues from Workers**

During the facility's operations, other taxes -- in addition to sales and franchise taxes -- will be collected for the State's general fund. The estimated annual collections of other taxes from each worker during operations are the following:

| Other Revenues for the State from Each Worker During Operations | |
|---|---|
| Gasoline taxes | $38 |
| Motor vehicle sales and use taxes | $375 |
| Cigarette and tobacco taxes | $141 |
| Alcoholic beverage taxes | $154 |
| Net lottery proceeds | $298 |
| Total | $1,006 |

Other taxes and revenues for the State from workers during the facility's operations will be the following:

| Other Revenues for the State from Workers During Operations | | | | | | |
|---|---|---|---|---|---|---|
| Year | Gasoline Taxes | Motor Vehicle Sales and Use Taxes | Cigarette and Tobacco Taxes | Alcoholic Beverage Taxes | Net Lottery Proceeds | Total Other Taxes and Revenues |
| 2023 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2024 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2025 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2026 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2027 | $126,965 | $1,269,651 | $477,472 | $521,563 | $1,009,972 | $3,405,623 |
| 2028 | $207,661 | $2,076,614 | $780,943 | $853,056 | $1,651,888 | $5,570,162 |
| 2029 | $213,891 | $2,138,912 | $804,372 | $878,648 | $1,701,444 | $5,737,267 |
| 2030 | $220,308 | $2,203,080 | $828,503 | $905,007 | $1,752,488 | $5,909,385 |
| 2031 | $226,917 | $2,269,172 | $853,358 | $932,157 | $1,805,062 | $6,086,667 |
| 2032 | $233,725 | $2,337,247 | $878,958 | $960,122 | $1,859,214 | $6,269,267 |
| Total | $1,229,468 | $12,294,676 | $4,623,606 | $5,050,553 | $9,780,069 | $32,978,371 |

**The Total Revenues for the State of Texas from the Facility's Operations**

The total increase in state revenues from the facility's operations are shown below.

| General Fund Revenues for the State During Operations | | | | | |
|---|---|---|---|---|---|
| Year | Sales Tax Collections | Hotel Occupancy Taxes | Franchise Tax Collections | Other Taxes and Revenues | Total State Revenues |
| 2023 | $9,375 | $18,000 | $0 | $0 | $27,375 |
| 2024 | $9,938 | $18,540 | $0 | $0 | $28,478 |
| 2025 | $10,534 | $19,096 | $0 | $0 | $29,630 |
| 2026 | $11,166 | $19,669 | $0 | $0 | $30,835 |
| 2027 | $4,560,380 | $20,259 | $692,991 | $3,405,623 | $8,679,254 |
| 2028 | $15,838,214 | $20,867 | $3,796,331 | $5,570,162 | $25,225,574 |
| 2029 | $17,151,114 | $21,493 | $4,176,116 | $5,737,267 | $27,085,991 |
| 2030 | $18,046,823 | $22,138 | $4,422,309 | $5,909,385 | $28,400,655 |
| 2031 | $19,033,109 | $22,802 | $4,696,109 | $6,086,667 | $29,838,687 |
| 2032 | $20,045,789 | $23,486 | $4,977,100 | $6,269,267 | $31,315,642 |
| Total | $94,716,443 | $206,350 | $22,760,956 | $32,978,371 | $150,662,119 |

## Discussion of Indirect and Induced Impacts

This analysis calculated the direct economic impact of the facility from its construction projects and during its operations. In addition, the indirect and induced impacts were also calculated.

Indirect revenues, jobs and salaries are created in new or existing firms in the state, such as parts suppliers, that may supply goods and services to the facility. In addition, induced revenues, jobs and salaries are created and supported in new or existing businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to workers and their families.

To estimate the indirect and induced economic impact of the facility on the state, regional economic multipliers were used. Regional economic multipliers for Texas are included in the US Department of Commerce’s Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis: an output multiplier, an employment multiplier and an earnings multiplier.

An output multiplier was used to estimate the indirect and induced output or revenues created and supported in the state. An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the state. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs.

The multipliers show the estimated indirect and induced revenues of other companies in the state for every dollar of revenues at the facility. An employment multiplier shows the number of indirect and induced jobs created for every direct job at the facility and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facility. The indirect and induced multipliers shown below were used in this analysis:

**Indirect and Induced Multipliers Used in this Analysis**

| | During Construction | During Operations |
|---|---|---|
| Output multiplier | 1.6152 | 1.2110 |
| Employment multiplier | 1.2709 | 2.0233 |
| Earnings multiplier | 0.8870 | 1.6661 |

## About Impact DataSource

Impact DataSource is a 29-year old Austin, Texas economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 39 other states. In addition, the firm has developed economic impact analysis computer programs for several clients including the Tennessee Department of Economic & Community Development.

The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

## Some Rates and Assumptions Used in this Analysis

**State tax rates for tax revenues that go into the state's general revenue fund:**

Texas business franchise tax:

Texas franchise tax is a tax on “taxable margin,” which is a concept similar to taxable income. Generally, an entity’s taxable margin is its revenue less either its cost of goods sold or its compensation expense, but not both. If 70% of the entity’s revenue is less than either of these calculations, then 70% of revenue is the taxable margin. Taxable margin must then be apportioned to business done in Texas, measured by the ratio of gross receipts from business done in Texas to gross receipts from business done everywhere. The tax rate is then applied to the apportioned margin. A rate of .375% is used for taxable entities primarily engaged in retail or wholesale trade, and a .75% rate is used for all other entities.

| | |
|---|---|
| Sales and use tax rate | 6.25% |
| Hotel occupancy tax rate | 6% |
| Gasoline tax, per gallon | $0.20 |
| Percent of gasoline taxes going into state general revenues | 25% |
| Motor vehicle sales and use tax | 6.25% |

| | |
|---|---|
| Percent of total salaries that a typical worker spends on taxable goods and services | 26% |

Estimated other taxes collected annually by the state for the general revenue fund for each worker household:

| | Total Collections in 2021 | Number of Households in the State *(Estimated 2020)* | Amount of Annual Collections Per Worker Household |
|---|---|---|---|
| Cigarette and tobacco taxes | $1,397,000,000 | 9,906,070 | $141 |
| Alcoholic beverage taxes | $1,526,000,000 | 9,906,070 | $154 |
| Net lottery proceeds | $2,955,000,000 | 9,906,070 | $298 |
| Total | | | $593 |

**Some assumptions used in this analysis:**

*Annual state gasoline tax collections per worker:*

| | |
|---|---|
| Miles driven per year by a typical worker | 15,000 |
| Miles per gallon | 20 |
| Number of gallons of gasoline purchased each year by a typical worker | 750 |

| | |
|---|---|
| Gasoline tax, per gallon | $0.20 |

| | |
|---|---|
| Gasoline taxes paid each year by a typical worker | $150 |
| Percent of gasoline taxes going into the general fund | 25% |
| Gasoline taxes paid each year by a typical worker going to the general fund | $38 |

*Annual motor vehicle sales and use tax collections per worker:*

| | |
|---|---|
| Number of new or used automobiles purchased per 10 workers each year | 2 |
| Average value of new or used automobiles purchased by a typical worker who purchases an automobile | $30,000 |
| Motor vehicle sales and use tax | 6.25% |
| Annual motor vehicle sales and use taxes paid by a typical worker | $375.00 |

*Estimated other taxes collected annually by the state for the general revenue fund for each worker household:*

Summary of annual state taxes, other than sales taxes, collected from each worker:

| | |
|---|---|
| Gasoline taxes | $37.50 |
| Motor vehicle sales and use taxes | $375.00 |
| Cigarette and tobacco taxes | $141.02 |
| Alcoholic beverage taxes | $154.05 |
| Net lottery proceeds | $298.30 |
| Total | $1,005.87 |

| | |
|---|---|
| Estimated annual increase in the above taxes per worker over each of the next ten years | 3% |

# Audited Financials (2021)

# J.C.B. Service

# Directors' Report and Consolidated Financial Statements

# for the year ended 31 December 2021

**Registered number 00564955**

# J.C.B. Service

## Contents

# J.C.B. Service

## Directors and advisors

**Directors**
The Lord Bamford DL
Lady Bamford OBE
G H A Bamford
J C E Bamford
A C Bamford
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

**Company secretary**
S E R Ovens

**Independent Auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

**Solicitors**
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EC1Y 8YY

**Bankers**

Barclays Bank plc
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Snow Hill Queensway
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HSBC Bank plc
4th Floor
120 Edmund Street
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B3 2QZ

National Westminster Bank plc
250 Bishopsgate
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EC2M 4AA

Lloyds Bank plc
Ground Floor
10 Gresham Street
London
EC2V 7AE

Citibank NA
Canada Square
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ABC International Bank plc
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ST14 5JP

**Registered number**
00564955

# J.C.B. Service

## Strategic report for the year ended 31 December 2021

The directors present their strategic report on the group for the year ended 31 December 2021.

**Principal activities**
The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

**Review of the business and future developments**
The global construction equipment market had a strong recovery from the Covid-19 induced decline in 2020. Globally the construction equipment market grew by 13% compared to 2020 (Source: ISTAT) although if China is excluded growth was 23%. This growth was impacted by local, regional and global dynamics including significantly disrupted global supply chains and specific component supply constraints. Highlights by markets are as follows: Asia + 67%, Russia & CIS +61%, Latin America +54%, UK & Ireland + 49%, Africa + 35%, North America +18%, Europe + 17%, India + 9%, and China declined by 9%. Although the same component supply constraints exist, 2022 has started strong.

In March 2022, due to the conflict between Russia and Ukraine, JCB Russia LLC stopped manufacturing and selling machines in Russia. More detail on the directors' assessment of the situation is included in note 29 of these financial statements.

Group turnover increased to £4,393.5 million (2020: £3,141.8 million) and the number of units sold increased by over 30%. Operating profit for the year was £516.3 million (2020: £140.7 million). The group continues to invest in research and development, spending £78.7 million (2020: £82.8 million) in the year on new products which put JCB in a strong position in the construction equipment market.

The group has a strong balance sheet and net cash is £699.3 million (2020: £675.7 million). The group generated operational cash of £238.2 million (2020: £310.3 million), invested £111.9 million (2020: £47.0 million) in capital assets and paid a dividend of £80m (2020: £nil).

**Going concern**
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 J.C.B. Service is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, J.C.B. Service addresses a spectrum of regional markets and product sectors, and operates an organisation and capital structure which is flexible and fast reacting to market conditions. Over its history, J.C.B. Service has grown in the good years and weathered the downturns, increasing the size of the business as each cycle progresses.

Other key risks monitored by the executive management team are the competitive environment, protection of intellectual property, agility of the supply chain, 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.

### Financial risk management

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

***Credit risk***

J.C.B. Service's principal financial assets are cash held on deposit with financial institutions and trade and other debtors. The credit risk is primarily attributable to its trade debtors with potential recoverability issues mitigated by credit insurance. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. J.C.B. Service has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, J.C.B. Service uses a mixture of short term facilities, invoice discounting, and senior loan notes. Adequate facilities are available to support the group's business for at least 12 months from the date of this report.

***Exchange rate risk***

As part of their normal operating activities, certain companies in the group hedge exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof are invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts. The aggregate fair value of forward currency contracts outstanding at 31 December 2021 was a net asset of £4.6 million (2020: asset of £22 million).

***Interest rate risk***

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group manages the risk through a combination of fixed and floating rate facilities. Long-term borrowings include senior loan notes of £195.2 million (2020: £195.2 million), which attract a fixed interest rate, whilst interest payable on the bank loans and overdrafts is linked to SONIA.

***Price risk***

The group's products contain a number of key raw materials and its operations require energy, notably electricity. Any increase or volatility in prices and any significant decrease in the availability of raw materials or energy could affect the group's results. The group strives to obtain the best prices and uses contractual means to benefit where appropriate and possible. The group has a significant degree of control over its supply chain which enables it to effectively manage the risk in this area.

### Key performance indicators (KPIs)

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

Financial measures are turnover, operating profit and cash generated from operations:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Turnover | **4,393.5** | 3,141.8 |
| Operating profit | **516.3** | 140.7 |
| Net cash generated from operating activities | **238.2** | 310.3 |

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

### Environmental key performance indicators

***Streamlined Energy & Carbon Report***

J.C.B. Service has reported its current UK based annual energy usage and associated annual greenhouse gas emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnership (Energy & Carbon Report) Regulations 2018 (the regulations) that is effective from 1 April 2019.

The calculations have been completed in line with the ESOS methodology specified in the 'Energy Savings Opportunity Scheme Guidance' Version 6. Greenhouse Gas conversion factors were taken from the 2021 Condensed set of conversion factors published by DEFRA.

***Breakdown of energy consumption***

| | **2021** | **2021** | **2020** | 2020 |
|---|---|---|---|---|
| Total energy use covering electricity, gas and transport | **214,764,647** | kWh | **164,306,707** | kWh |
| Total emissions generated through combustion of gas | **20,131** | tCO2e | **15,679** | tCO2e |
| Total emissions generated through use of purchased electricity | **19,546** | tCO2e | **15,708** | tCO2e |
| Total emissions generated through use of other fuels (LPG) | **1,206** | tCO2e | **125** | tCO2e |
| Total emissions generated through owned business travel | **1,703** | tCO2e | **347** | tCO2e |
| Total gross emissions | **42,584** | tCO2e | **31,859** | tCO2e |
| Intensity ratio (total gross emissions per machine) | **965** | kgCO2e /machine | **1,232** | kgCO2e /machine |

***Energy efficiency actions***

In line with its commitment on environmental sustainability, the group has taken the following actions to improve energy efficiency in recent years:

- Upgraded most factory lighting to LED and fitted light sensors during upgrades;
- Ensured heating set points are monitored and maintained; and
- Rolled out an air leak maintenance programme to cut compressor use.

The following wider carbon footprint reduction and energy efficiency measures formed part of the 2021 sustainability objectives:

- Hybrid pool car contract – to be complete by end of 2022;
- Finished product fuel efficiency;
- Finished product electrification & other fuels;
- Greater management on air business travel;
- Paint plant energy efficiency improvements across all factories;
- Continue to update LED lighting in remaining areas;
- Continue to monitor and maintain heating set points; and
- Review and implement ESOS phase 2 findings where appropriate.

**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 group 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 employees on the closure of the pension scheme during the year.

***Suppliers and customers***

The group develops innovative new products that are designed to meet global customer 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 group'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.

In the UK, JCB supports the community in many ways, particularly in education. JCB is committed to developing the next generation of engineering and manufacturing talent. JCB also undertakes a range of activities internationally – regularly donating machines and manpower to communities devastated by natural disasters worldwide. In the areas where it operates globally JCB supports the local communities with activities such as adopting a local school in India and providing an early childhood development centre for disadvantaged children in Savannah, USA.

***Business conduct***

The group 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 group's supplier code of conduct, health and wellbeing policy and other documents are published on the group's website.

**On behalf of the board**

**The Lord Bamford DL**
Chairman

6 MAY 2022.

# J.C.B. Service

## Directors' report for the year ended 31 December 2021

The directors present their report and the audited consolidated and company financial statements for the year ended 31 December 2021.

**Future developments**
Details of anticipated future developments in the group's business have been provided in the strategic report on page 2.

**Dividends**
The directors approved and paid a dividend of £80.0 million during the year (2020: £nil).

**Research and development**
The group is conscious of the impact of its products on the climate, and spends a considerable amount of planning and research to develop programmes that will contribute to tackling climate change. The group incurred research and development expenditure during the year of £78.7 million (2020: £82.8 million).

**Post balance sheet events**
Events after the reporting period have been disclosed in note 29 of these financial statements.

**Political donations**
The group made political donations to the Midlands Industrial Council of £25,000 (2020: £25,000), East Staffordshire Conservatives £20,000 (2020: £nil) and the Vale of Glamorgan Conservatives £2,000 (2020: £nil).

**Statutory records**
The company is a privately held unlimited company which is incorporated in the UK and its company registration number is 00564955.

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

The Lord Bamford DL
Lady Bamford OBE
G H A Bamford
J C E Bamford
A C Bamford
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

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

**Corporate Governance**
The directors are collectively responsible for ensuring that they operate in a manner which best promotes the interests of the group with consideration to its wider group of stakeholders. Underpinning this responsibility is an appropriate Corporate Governance framework, specifically designed to meet the needs of JCB and is based on the Wates Principles. The framework ensures the values, strategy and culture of the group are communicated and followed.

***Purpose and leadership***
The group's mission is to grow by providing innovative, strong and high-performance products and solutions to meet the needs of global customers, supported by superior customer care. This care extends to the environment and the community. The group wants to help build a better future where hard work and dedication are given their just reward. These fundamental principles drive the governance of the group.

***Board composition***
The directors possess the required skills and experience to run the business. Executive directors that are appointed have demonstrated substantial experience working within the group. The directors comprise the Chairman, Chief Executive Officer, executive directors and a non-executive director. The diversity of the board supports the group's values on gender equality. The directors meet on a regular basis, however additional meetings can be called as necessary to perform its functions.

***Director responsibilities***
The directors are responsible for the group's strategy, including the likely consequences of any decisions in the long term and the general conduct of the group's affairs. The directors review and oversee the group's policy in relation to employee remuneration (delegated to a remuneration committee); succession planning; risk management and internal control; safety and environmental matters; and regulatory compliance. A wider team of senior management is responsible for the operational management of the group with support and guidance from the directors. Clear written guidelines have been set outlining matters solely reserved for approval by the directors.

***Opportunity and risk***
The directors regularly review the strategies, opportunities and risks faced by the group. A group risk and control committee meets on a monthly basis to identify and monitor risks and these are communicated to senior management. The principal risks facing the group are set out in detail in the strategic report.

***Remuneration***
The directors ensure that remuneration for all employees is appropriate and fair. The directors have appointed a remuneration committee comprising certain directors and advisors that is responsible for senior directors pay and benefits. Remuneration is linked to the achievement of the group as well as personal performance. The directors are mindful of the gender pay gap and report on this annually on the group's website.

***Stakeholder relationships and engagement***
The directors acknowledge the need to encourage employee involvement in the improvement of the group's performance by supporting individual training and performance plans. Important information is supplied and feedback is obtained through regular consultation with employees. Regarding the local community, the group has a long-standing tradition of providing support through various means including sponsoring local schools, recreational facilities and other good causes. In addition, the group regularly meets with local government representatives to discuss and understand the likely consequences of any decisions. The group's statement on stakeholder engagement is set out below.

**Employee engagement**
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 employees on the closure of the pension scheme during the year.

The group 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. Full and fair consideration is given to applications for employment that disabled people make to the group. 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 group.

**Stakeholder engagement**
The group 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 group'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.

## Directors' report for the year ended 31 December 2021 (continued)

**Matters disclosed elsewhere within the financial statements**

Required disclosures in relation to the group's key performance indicators, business review, going concern, future prospects, principal risks and uncertainties, and financial risk management have been included within the group's Strategic Report on pages 2 and 3 of these financial statements. Post balance sheet events have been referenced in note 29 of these financial statements.

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Directors' Report and Consolidated 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 group and the company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group and 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 group 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.

**On behalf of the board**

**The Lord Bamford DL**
Chairman
6 MAY 2022.

## Independent auditors' report to the members of J.C.B. Service

## Report on the audit of the financial statements

**Opinion**

In our opinion, J.C.B. Service's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2021; the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows and the Consolidated and Company statements 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 group 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

**Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

## Independent auditors' report to the members of J.C.B. Service (continued)

**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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 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 group and company and their 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 group's and 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 group or 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.

## Independent auditors' report to the members of J.C.B. Service (continued)

***Auditors' responsibilities for the audit of the financial statements (continued)***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to local and international tax legislation, health and safety regulations and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- reviewing internal audit reports;
- reviewing relevant meeting minutes, including those of the Board of Directors;
- auditing the tax computations to ensure compliance with tax legislation;
- challenging assumptions and judgements made by management in their significant accounting estimates (because of the risk of management bias) in particular in relation to the carrying value of goodwill and investments;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates and evaluating the business rationale of significant transactions outside the normal course of business; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

## Independent auditors' report to the members of J.C.B. Service (continued)

### 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 obtained 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 company 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
6 May 2022

## J.C.B. Service

### Consolidated profit and loss account for the year ended 31 December 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | £m | £m |
| Turnover | 5 | **4,393.5** | 3,141.8 |
| Cost of sales | | **(3,522.6)** | (2,575.7) |
| **Gross profit** | | **870.9** | 566.1 |
| Distribution costs | | **(179.9)** | (153.4) |
| Administrative expenses | | **(180.5)** | (306.1) |
| Other operating income | 6 | **5.8** | 34.1 |
| **Operating profit** | 6 | **516.3** | 140.7 |
| Share of associate's profit before tax | | **6.1** | 8.2 |
| Interest receivable and similar income | | **2.4** | 5.6 |
| Interest payable and similar expenses | 9 | **(23.2)** | (24.4) |
| **Profit before taxation** | | **501.6** | 130.1 |
| Tax on profit | 10 | **(84.7)** | (46.3) |
| **Profit for the financial year** | | **416.9** | 83.8 |

All activities are derived from continuing operations.

### Consolidated statement of comprehensive income for the year ended 31 December 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | £m | £m |
| Profit for the financial year | | **416.9** | 83.8 |
| Other comprehensive income/(expense) | | | |
| Foreign exchange adjustments | | **(9.4)** | (32.6) |
| Change in value of hedging instruments: | | | |
| (Losses)/gains arising during the year | | **(5.2)** | 29.3 |
| Re-classified to profit and loss | | **(12.2)** | (12.1) |
| Movement on deferred tax relating to hedging instruments | | **1.8** | (2.9) |
| Re-measurement of pension liability | 21 | **114.4** | (50.0) |
| Movement on deferred tax relating to pension liability | | **(8.1)** | 9.1 |
| **Other comprehensive income/(expense) net of tax** | | **81.3** | (59.2) |
| **Total comprehensive income for the year** | | **498.2** | 24.6 |

# J.C.B. Service

## Consolidated balance sheet as at 31 December 2021

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | **168.0** | 153.6 |
| Tangible assets | 13 | **594.3** | 532.5 |
| Investments | 14 | **14.9** | 14.6 |
| | | **777.2** | 700.7 |
| **Current assets** | | | |
| Stock | 15 | **696.5** | 500.8 |
| Debtors | 16 | **1,297.9** | 1,119.8 |
| Investments | 17 | **6.6** | 7.8 |
| Cash at bank and in hand | | **901.8** | 872.9 |
| | | **2,902.8** | 2,501.3 |
| **Creditors: amounts falling due within one year** | 18 | **(1,094.6)** | (905.8) |
| **Net current assets** | | **1,808.2** | 1,595.5 |
| **Total assets less current liabilities** | | **2,585.4** | 2,296.2 |
| Creditors: amounts falling due after more than one year | 19 | **(225.7)** | (217.3) |
| Provisions for liabilities | 20 | **(106.7)** | (93.4) |
| Pension scheme deficit | 21 | **(201.6)** | (352.9) |
| **Net assets** | | **2,051.4** | 1,632.6 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | **-** | - |
| Other reserves | 24 | **42.4** | 57.4 |
| Profit and loss account | 24 | **2,009.0** | 1,575.2 |
| **Total equity** | | **2,051.4** | 1,632.6 |

The financial statements on pages 13 to 49 were approved by the board of directors on 6 MAY 2022 and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

# J.C.B. Service

## Company balance sheet as at 31 December 2021

| | Note | 2021 £m | 2020 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 13 | **19.5** | 19.1 |
| Investments | 14 | **523.6** | 472.2 |
| | | **543.1** | 491.3 |
| **Current assets** | | | |
| Stock | 15 | **89.2** | 77.0 |
| Debtors | 16 | **544.4** | 495.2 |
| Cash at bank and in hand | | **262.0** | 362.0 |
| | | **895.6** | 934.2 |
| **Creditors: amounts falling due within one year** | 18 | **(218.2)** | (205.7) |
| **Net current assets** | | **677.4** | 728.5 |
| **Total assets less current liabilities** | | **1,220.5** | 1,219.8 |
| Creditors: amounts falling due after more than one year | 19 | **(222.3)** | (216.1) |
| Provisions for liabilities | 20 | **(16.5)** | (8.5) |
| **Net assets** | | **981.7** | 995.2 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | - | - |
| Other reserves | 24 | **1.8** | 6.7 |
| Profit and loss account | 24 | **979.9** | 988.5 |
| **Total equity** | | **981.7** | 995.2 |

The company has taken advantage of Section 408 (1) of the Companies Act 2006 not to publish its own profit and loss account. The company's profit for the financial year was £72.4 million (2020: £47.2 million).

The financial statements on pages 13 to 49 were approved by the board of directors on 6 MAY 2022, and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

# J.C.B. Service

## Consolidated statement of cash flows for the year ended 31 December 2021

| | Note | 2021 £m | 2021 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | | **315.2** | | 385.7 |
| Taxation paid | | | **(77.0)** | | (75.4) |
| **Net cash generated from operating activities** | | | **238.2** | | 310.3 |
| **Cash flow from investing activities** | | | | | |
| Purchase of tangible assets | | **(111.9)** | | (47.0) | |
| Proceeds from sale of tangible assets | | **29.7** | | 10.6 | |
| Interest received | | **2.4** | | 5.6 | |
| Dividends received from associate | 14 | **5.0** | | - | |
| Acquisition of subsidiaries (net of cash acquired) | 12 | **(32.9)** | | - | |
| Cash acquired with merger | | **-** | | 5.9 | |
| **Net cash used in investing activities** | | | **(107.7)** | | (24.9) |
| **Cash flow from financing activities** | | | | | |
| Receipts from revolving credit facility | | **-** | | 359.0 | |
| Repayment of revolving credit facility | | **-** | | (359.0) | |
| Issue of Commercial Paper | | **-** | | 600.0 | |
| Redemption of Commercial Paper | | **-** | | (600.0) | |
| Dividends paid to shareholders | 11 | **(80.0)** | | - | |
| Interest paid | 9 | **(23.2)** | | (24.4) | |
| **Net cash used in financing activities** | | | **(103.2)** | | (24.4) |
| **Net increase in cash and cash equivalents** | | | **27.3** | | 261.0 |
| **Cash and cash equivalents at the beginning of the year** | | | **870.9** | | 614.0 |
| **Foreign exchange translation adjustment** | | | **(3.7)** | | (4.1) |
| **Cash and cash equivalents at the end of the year** | | | **894.5** | | 870.9 |

| | | | |
|---|---|---|---|
| **Cash and cash equivalents consists of:** | | | |
| Cash at bank and in hand | | **901.8** | 872.9 |
| Overdrafts | 18 | **(7.3)** | (2.0) |
| **Cash and cash equivalents** | | **894.5** | 870.9 |

# J.C.B. Service

## Consolidated statement of changes in equity for the year ended 31 December 2021

| | Called-up share capital £m | Share premium £m | Other reserves £m | Profit and loss account £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | - | 31.7 | 43.1 | 1,128.1 | 1,202.9 |
| Profit for the financial year | - | - | - | 83.8 | 83.8 |
| Other comprehensive income/(expense) for the year | - | - | 14.3 | (73.5) | (59.2) |
| **Total comprehensive income for the year** | - | - | **14.3** | **10.3** | **24.6** |
| Merger transactions recognised in equity | - | - | 405.1 | - | 405.1 |
| Capital reduction | - | (31.7) | (405.1) | 436.8 | - |
| **Balance as at 31 December 2020** | - | - | **57.4** | **1,575.2** | **1,632.6** |
| Profit for the financial year | - | - | - | 416.9 | 416.9 |
| Other comprehensive (expense)/income for the year | - | - | (15.6) | 96.9 | 81.3 |
| **Total comprehensive (expense)/income for the year** | - | - | **(15.6)** | **513.8** | **498.2** |
| Merger transactions recognised in equity | - | - | 0.6 | - | 0.6 |
| Dividends paid | - | - | - | (80.0) | (80.0) |
| **Balance as at 31 December 2021** | - | - | **42.4** | **2,009.0** | **2,051.4** |

# J.C.B. Service

## Company statement of changes in equity for the year ended 31 December 2021

| | Called-up share capital £m | Share premium £m | Other reserves £m | Profit and loss account £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | **-** | **31.7** | **0.9** | **504.5** | **537.1** |
| Profit for the financial year | - | - | - | 47.2 | 47.2 |
| Other comprehensive income for the year | - | - | 5.8 | - | 5.8 |
| **Total comprehensive expense for the year** | **-** | **-** | **5.8** | **47.2** | **53.0** |
| Merger transactions recognised in equity | - | - | 405.1 | - | 405.1 |
| Capital reduction | - | (31.7) | (405.1) | 436.8 | - |
| **Balance as at 31 December 2020** | **-** | **-** | **6.7** | **988.5** | **995.2** |
| Profit for the financial year | - | - | - | 72.4 | 72.4 |
| Other comprehensive expense for the year | - | - | (5.5) | (1.0) | (6.5) |
| **Total comprehensive (expense)/income for the year** | **-** | **-** | **(5.5)** | **71.4** | **65.9** |
| Merger transactions recognised in equity | - | - | 0.6 | - | 0.6 |
| Dividends paid | - | - | - | (80.0) | (80.0) |
| **Balance as at 31 December 2021** | **-** | **-** | **1.8** | **979.9** | **981.7** |

# J.C.B. Service

## Notes to the financial statements for the year ended 31 December 2021

## 1. General information

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling and agricultural machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

The company is incorporated and domiciled in England, UK. The address of its registered office is Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP.

## 2. Statement of compliance

The consolidated financial statements of J.C.B. Service 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 satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of J.C.B. Service which are included within this Annual Report. The company has taken advantage of the disclosure exemptions set out in paragraph 1.12 of FRS 102 specifically in relation to the company not preparing its own cash flow statement and the disclosure of transactions between companies within the same group.

In addition, the company has taken the exemption available in paragraph 408 (1) of the Companies Act 2006 to not disclose its own profit and loss account. The profit recorded by the company in the year ended 31 December 2021 totalled £72.4 million (2020: £47.2 million).

## 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, and in accordance with the Companies Act 2006 as modified for 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.

In preparing the financial statements of the group we have considered the impact of climate change. We expect there to be no material impact on the financial statements for the current year from the group's consideration of the impact of climate change, including estimates and judgements made, specifically in the impairment and going concern analyses. The group's analysis on the impact of climate change continues to evolve as more clarity on timings and targets emerges, with the group committed to reducing its carbon impact.

## 3. Summary of significant accounting policies (continued)

### Going concern

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.

### Basis of consolidation and accounting for other investments

*Subsidiaries*
The consolidated financial statements incorporate the financial statements of J.C.B. Service and entities controlled by J.C.B. Service (its subsidiaries) made up to the reporting date each year. Control is achieved where J.C.B. Service has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any negative goodwill that arises where the fair value of the group's interest in the identifiable assets and liabilities acquired of a subsidiary undertaking exceeds the fair value of the consideration given is recognised in the balance sheet and is credited to the profit and loss account in the period in which the non-monetary assets are recovered.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All intra-group balances and transactions are eliminated on consolidation and all unrealised gains on transactions between group companies are eliminated on consolidation.

*Associates*
Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

The group's share in associates' post-acquisition profits or losses is recognised in the profit and loss account.

Unrealised gains on transactions between group companies and transactions between the group and its associates are eliminated to the extent of the group's interest in each associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### Merger accounting

In 2020 the assets and liabilities of Transmissions and Engineering Services Netherlands BV ("TESN") were merged with those of J.C.B. Service at book value under the principles of merger accounting. Under the merger accounting method, the results and cash flows of all the combining entities are brought into the financial statements from the beginning of the financial year in which the combination occurred. Assets and liabilities are merged at book value. The comparative information has not been restated. The difference between the nominal value of the shares issued and the nominal value of the assets has been credited to other reserves as shown in the statement of equity.

## 3. Summary of significant accounting policies (continued)

**Foreign currency**

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

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments, net assets of overseas subsidiaries including long term funding balances with those subsidiaries and from the translation of the profits or losses at average rates are recognised in other comprehensive income.

**Turnover recognition**

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

The group recognises turnover from sales of products when significant risk and rewards have been transferred to external parties, normally on an ex-works basis for machines and on despatch for parts. Turnover from standard warranty contracts is recognised on the sale of the machine. Turnover from extended 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.

**Employee benefits**

The group operates several defined benefit pension schemes for the benefit of its employees both in the UK and in certain overseas locations, the assets of which are held separately from those of the group in independently administered funds.

The fair value of pension scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability as determined by an independent actuary. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The interest income and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest and are calculated based on the discount rate. Curtailment gains are recognised in the profit and loss account. Remeasurement gains and losses are recognised in other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The group also operates a number of defined contribution pension schemes. The assets of these schemes are held in separately administered funds from the group. The pension charge represents contributions payable by the group to the funds.

## 3. Summary of significant accounting policies (continued)

**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 sufficient 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.

**Intangible assets - Goodwill**

Goodwill on consolidation, representing the excess of the cost of shares in subsidiaries over their net assets at the date of acquisition, is amortised to the profit and loss account on a straight line basis over its estimated useful economic life which is no more than 20 years.

**Impairment of tangible and intangible assets**

Annually, the group assesses whether there are any indicators that the carrying amount of goodwill and other tangible assets may be impaired. Where indicators of impairment are identified, the group performs an impairment test to determine the recoverable amount of goodwill and other tangible assets. In assessing recoverable amount the group looks at the higher of the asset's value in use and its fair value less cost to sell. Where the recoverable amount is less than the asset's carrying amount, an impairment is recognised which is charged to the profit and loss account. For tangible assets where the factors that gave rise to the impairment have reversed, and the recoverable amount is determined to exceed the carrying amount, the impairment is reversed, such as to bring the asset back to the value it would have been carried at prior to the impairment charge being recognised, to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior periods.

**Tangible fixed assets**

The cost of fixed 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 | 1 - 5% |
| Leasehold land and buildings | Shorter of lease period and 50 years |
| Plant and machinery | 10 - 33.33% |
| Fixtures, fittings and equipment | 4 - 33.33% |
| Motor vehicles | 20 - 25% |

Additional depreciation is provided where, in the opinion of the directors, there has been a change in the useful life 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.

## 3. Summary of significant accounting policies (continued)

**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.

**Warranty provision**

Provision is made for the group's estimated liability on all machines still under standard warranty, including claims already received. Warranties are sold as standard or extended. The provision for standard warranty costs is charged against trading profits and is included in provisions for liabilities, with amounts recoverable from suppliers included within other debtors. Deferred income in relation to extended warranty contracts is included within creditors and released to revenue over the life of the policy. Warranty associated costs are taken to cost of sales. Where the costs associated with extended warranty contracts are forecast to exceed the income derived from those contracts the contracts are deemed to be onerous. Where warranty contracts are determined to be onerous, provision is made in full for all future costs expected to be incurred in excess of the income to be derived from those contracts.

**Research and development**

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

**Repairs and renewals**

All repairs and renewals are expensed as incurred.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions and the grants will be received. FRS 102 allows for government grants to be accounted for under either the performance or accruals model. The group applies either the performance or accruals model to different classes of government grants with each class of grant being accounted for under a consistent model. In determining whether grants represent different classes the issuing body, country of issue, performance conditions and specific terms are considered to determine whether grants should be treated as separate classes of grant.

Grants accounted for using the performance model recognise the entire amount of the grant when performance conditions are met. Where performance conditions are not met in full at the year end, the grant is taken to deferred income and released to the profit and loss account when the remaining performance conditions are met.

Grants accounted for using the accruals model recognise the amount of the grant over the period the associated costs are incurred. Where grants relate to capital expenditure items, grant income will be recognised over the same useful life over which the capital items are being depreciated. Where grant income relates to employee or other costs the grant income will be recognised in line with the proportion of costs incurred in any one financial period. Where amounts are received in excess of that which can be recognised in a financial period the excess amount is taken to deferred income and is released in subsequent periods. Grants that become receivable under the accruals model in respect of capital expenditure already depreciated or employee or other costs already incurred shall be recognised as income in the period they become receivable.

## 3. Summary of significant accounting policies (continued)

**Investments**

Fixed Asset Investments are included in the balance sheet at their cost on acquisition. Where appropriate, provision is made for any impairment in their value. Current Asset Investments are carried at fair value and the changes in fair value are recognised in profit or loss.

**Finance costs**

Finance costs incurred in securing the group's financing arrangements are capitalised and amortised over the term of the associated debt. Interest and other finance costs are charged to the profit and loss account as incurred.

**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.

**Dividends**

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

**Financial instruments**

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

*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.

Trade debtors are recorded at original invoice price less any provision for bad or doubtful debts. Initial recognition is at transaction price, subsequently measured at amortised cost. Trade debtors are derecognised when sold under non-recourse invoice discounting agreements and substantially all of the risks and rewards of ownership of the debtor have been transferred. The settlement of discounted invoices are treated as operating items in the cash flow statement.

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.

## 3. Summary of significant accounting policies (continued)

*Financial liabilities*

Basic financial liabilities, including trade and other creditors, bank and other loans, loans from fellow group 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.

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

*Derivatives and hedge accounting*
The group enters into certain foreign exchange forward contracts to manage its cash flow exposure over certain transactions undertaken in currencies other than the functional currency. These foreign exchange forward contracts are put in place to manage the risk of highly probable future forecast transactions.

The group applies hedge accounting to certain transactions entered to manage the foreign exchange risk. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

*Offsetting*
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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 the liability simultaneously.

## 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management does not consider any of the below areas to be significant judgements.

**Critical accounting estimates and assumptions**

The company and group make 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.

**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 13 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. See note 12 for the carrying amount of intangible assets.

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.

**Stock provisioning**

The group considers the recoverability of the cost of stock and makes an estimate of 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 15 for the net carrying amount of the stock and associated provision.

**Impairment of debtors**

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

**Defined benefit pension scheme**

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management employs actuaries to estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

**Standard warranty provision**

The group considers the future cost of standard warranty claims and makes and estimate of 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, known performance issues and supplier recoveries. See note 20 for the warranty movement and year end provision.

## 4. Critical accounting judgements and estimation uncertainty (continued)

### Sales incentive provision

Under certain conditions the group 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.

### Taxation

Transactions may occur during the normal course of business where the final tax determination is uncertain. Where such transactions occur, the group recognises liabilities for these transactions based on the likelihood that an additional liability will arise and an estimate of any additional tax that may become payable. In estimating the value of any uncertain tax positions, the group exercises judgement based on past experience and previous legal interpretations. Any differences between the estimated and actual tax liabilities are recognised in the financial statements in the year in which the uncertain position becomes known.

In the case of deferred tax arising on the unremitted earnings of the group's overseas subsidiaries, provision is made for the amount that is expected to be settled, based on management's judgement as to the probable amount of repatriation to the UK in the foreseeable future.

## 5. Turnover

An analysis of turnover by geographical market is given below:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| UK & Ireland | **763.0** | 412.5 |
| Europe | **1,265.8** | 853.4 |
| The Americas | **934.9** | 622.7 |
| India | **1,011.9** | 944.0 |
| Middle East | **212.0** | 154.0 |
| Australia and the Far East | **136.0** | 100.4 |
| Africa | **69.9** | 54.8 |
| | **4,393.5** | 3,141.8 |

The J.C.B. Service group companies are engaged in a single class of business: the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 6. Operating profit

Operating profit is stated after (crediting)/charging

| | **2021** **£m** | 2020 £m |
|---|---|---|
| Government grants | **(5.8)** | (34.1) |
| Reorganisation expense | **-** | 43.8 |
| Pension curtailment gain (note 21) | **(31.1)** | - |
| Pension scheme closure costs | **21.2** | - |
| Research and development expenditure | **78.7** | 82.8 |
| Hire of machinery and equipment | **11.1** | 9.1 |
| Foreign currency loss | **18.5** | 42.5 |
| (Profit)/loss on sale of fixed assets | **(25.1)** | 0.6 |
| Depreciation of tangible fixed assets (note 13) | **41.7** | 49.1 |
| Amortisation of goodwill (note 12) | **17.5** | 17.0 |

In April 2021 the Lifeplan pension scheme was closed to future accruals resulting in a curtailment gain of £31.1m. Costs of £21.2m have been incurred in relation to the pension scheme closure.

In 2021 Government grants relate solely to income from the State Government of Rajasthan for investment in manufacturing facilities in the locality which are accounted for under the performance model, whereas in 2020 it also included income from the UK government's Coronavirus Job Retention Scheme.

**Services provided by the company's auditors:**
During the year the group (including its overseas subsidiaries but excluding associates) obtained the following services from the company's auditors and its associates:

| | **2021** **£m** | 2020 £m |
|---|---|---|
| Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements | **0.5** | 0.4 |
| Fees payable to the company's auditors and its associates for other services: | | |
| The audit of the company's subsidiaries | **1.6** | 1.5 |
| Audit-related assurance services | **-** | 0.1 |
| Tax-related services | **-** | 1.2 |
| | **2.1** | 3.2 |

### 7. Particulars of employees

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2021** **Number** | 2020 Number | **2021** **Number** | 2020 Number |
| Directors | **9** | 9 | **9** | 9 |
| Administration and service | **3,148** | 3,478 | **88** | 144 |
| Production | **7,525** | 6,811 | **228** | 223 |
| | **10,682** | 10,298 | **325** | 376 |

## 7. Particulars of employees (continued)

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Wages and salaries | **382.2** | 366.4 | **25.0** | 26.0 |
| Social security costs | **41.6** | 36.2 | **1.8** | 1.8 |
| Defined benefit pension cost | **(13.3)** | 27.9 | **-** | - |
| Defined contribution pension cost | **31.4** | 17.4 | **1.1** | 1.4 |
| | **441.9** | 447.9 | **27.9** | 29.2 |

**Key management compensation**

Key management includes the directors and members of senior management. The compensation paid or payable to key management personnel for employee services is shown below:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Salaries and other benefits | **13.0** | 8.7 |

## 8. Directors' emoluments

The directors' emoluments for the year were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Aggregate emoluments | **7.4** | 5.4 |

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

| | **2021** | 2020 |
|---|---|---|
| | **Number** | Number |
| Defined benefit | **1** | 1 |

The aggregate emoluments of the highest paid director (excluding pension contributions) were £2.8 million (2020: £2.5 million).

## 9. Interest payable and similar expenses

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Discounting charges | **10.9** | 10.7 |
| Interest payable on bank loans and overdrafts | **12.3** | 13.6 |
| Other | **-** | 0.1 |
| | **23.2** | 24.4 |

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10. Tax on profit

| Analysis of charge in the year | 2021 £m | 2020 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax charge | **4.8** | - |
| Adjustments in respect of prior year | **1.0** | (1.5) |
| UK corporation tax | **5.8** | (1.5) |
| Overseas tax charge | **68.8** | 76.9 |
| Adjustments in respect of prior year | **1.8** | 2.6 |
| Foreign tax | **70.6** | 79.5 |
| Share of associate's tax | **1.0** | 1.7 |
| Total current tax | **77.4** | 79.7 |
| | | |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **27.7** | (29.3) |
| Change in tax rates | **(3.2)** | - |
| Adjustments in respect of prior year | **(17.2)** | (4.1) |
| Total deferred tax | **7.3** | (33.4) |
| Total tax on profit | **84.7** | 46.3 |

**Factors affecting current year tax charge**

The tax assessed on the profit for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

| The differences are explained below: | 2021 £m | 2020 £m |
|---|---|---|
| Profit before taxation | **501.6** | 130.1 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%) | **95.3** | 24.7 |
| Expenses not deductible for tax purposes | **9.5** | 3.5 |
| Income not taxable | **(8.6)** | - |
| Other permanent differences | **(8.3)** | (7.1) |
| Adjustment in respect of foreign tax rates on trading income | **17.9** | 21.5 |
| Tax on overseas distributions | **2.0** | 23.0 |
| Adjustments in respect of prior year | **(14.4)** | (2.9) |
| Rate differences in respect of tax | **1.0** | - |
| Recognition of previously unrecognised tax losses | **(10.1)** | (23.2) |
| Unrecognised deferred tax | **0.4** | 6.8 |
| Total tax for the year | **84.7** | 46.3 |

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £5.1 million (2020: £6.2 million).

**Future tax changes**

In the 2021 Spring Budget it was announced that the main rate of corporation tax would increase from 19% to 25% from 1 April 2023. These changes were substantively enacted on 24 May 2021 and are therefore reflected in these financial statements.

## 11. Dividends

**Group and Company**

| | 2021 | 2020 |
|---|---|---|
| | £m | £m |
| Equity dividends £1,642 per share (2020: £nil per share) | **80.0** | - |

## 12. Intangible fixed assets

| Group | Goodwill £m |
|---|---|
| **Cost** | |
| As at 1 January 2021 | 347.7 |
| Additions | 31.9 |
| **As at 31 December 2021** | **379.6** |
| | |
| **Accumulated amortisation** | |
| As at 1 January 2021 | 194.1 |
| Charge for the year | 17.5 |
| **As at 31 December 2021** | **211.6** |
| | |
| **Net book value at 31 December 2021** | **168.0** |
| Net book value at 31 December 2020 | 153.6 |

On 22 September 2021, the group acquired 100% of the issued share capital of JCB Consumer Products Limited for total cash consideration of £55.2 million from BHoldings Limited (which is a related party), and has been accounted for using the acquisition method. The net assets acquired and the subsequent fair values are as follows:

| | Total £m |
|---|---|
| Stock | 0.1 |
| Debtors | 1.2 |
| Cash | 22.3 |
| **Total assets** | **23.6** |
| Creditors: amounts falling due within one year | (0.3) |
| **Fair value of assets acquired** | **23.3** |
| | |
| Cash consideration | 54.9 |
| Acquisition costs | 0.3 |
| | **55.2** |
| | |
| Goodwill on acquisition | **31.9** |

Management's best estimate of the useful economic life of the generated goodwill, having considered the nature of the acquired business, is 20 years and is being amortised over this period. The accounting policies of JCB Consumer Products Limited have been aligned to those of the Group.

Amortisation is charged in administrative expenses.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 13. Tangible fixed assets

| **Group** | **Land & Buildings** | **Plant & Machinery** | **Fixtures, Fittings & Equipment** | **Motor Vehicles** | **Assets in Course of Construction** | **Total** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Cost** | | | | | | |
| As at 1 January 2021 | 415.1 | 405.5 | 236.1 | 10.9 | 45.2 | 1,112.8 |
| Additions | 3.9 | 16.7 | 4.4 | 1.1 | 85.8 | 111.9 |
| Disposals | (1.1) | (6.1) | (0.6) | (1.3) | (1.3) | (10.4) |
| Reclassifications | 4.6 | 8.2 | 1.9 | - | (14.7) | - |
| Exchange adjustments | (3.5) | (1.5) | (0.3) | - | (0.2) | (5.5) |
| **As at 31 December 2021** | **419.0** | **422.8** | **241.5** | **10.7** | **114.8** | **1,208.8** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2021 | 108.5 | 297.9 | 165.4 | 8.5 | - | 580.3 |
| Charge for the year | 7.7 | 22.5 | 10.6 | 0.9 | - | 41.7 |
| Disposals | (0.3) | (3.9) | (0.3) | (1.1) | - | (5.6) |
| Exchange adjustments | (0.8) | (0.7) | (0.4) | - | - | (1.9) |
| **As at 31 December 2021** | **115.1** | **315.8** | **175.3** | **8.3** | **-** | **614.5** |
| | | | | | | |
| **Net book value at 31 December 2021** | **303.9** | **107.0** | **66.2** | **2.4** | **114.8** | **594.3** |
| Net book value at 31 December 2020 | 306.6 | 107.6 | 70.7 | 2.4 | 45.2 | 532.5 |

Included within land and buildings is freehold land of £48.2 million (2020: £42.7 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

**Capital commitments**

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Contracted but not provided for in the financial statements | **89.4** | 24.6 | **-** | - |

## 13. Tangible fixed assets (continued)

| Company | Land & Buildings £m | Plant & Machinery £m | Fixtures, Fittings & Equipment £m | Assets in Course of Construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2021 | 20.6 | 3.5 | 14.5 | - | 38.6 |
| Additions | - | - | 0.2 | 1.4 | 1.6 |
| Reclassifications | - | (0.2) | 0.2 | - | - |
| **As at 31 December 2021** | **20.6** | **3.3** | **14.9** | **1.4** | **40.2** |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2021 | 6.4 | 3.4 | 9.7 | - | 19.5 |
| Charge for the year | 0.4 | 0.1 | 0.7 | - | 1.2 |
| Reclassifications | - | (0.3) | 0.3 | - | - |
| **As at 31 December 2021** | **6.8** | **3.2** | **10.7** | **-** | **20.7** |
| **Net book value at 31 December 2021** | **13.8** | **0.1** | **4.2** | **1.4** | **19.5** |
| Net book value at 31 December 2020 | 14.2 | 0.1 | 4.8 | - | 19.1 |

Included within land and buildings is freehold land of £2.0 million (2020: £2.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

## 14. Investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| **Loans to group undertakings** | | | | |
| As at 1 January | - | - | **28.1** | 32.4 |
| Interest charged | - | - | **0.2** | 0.3 |
| Repayments | - | - | **(2.4)** | (6.3) |
| Foreign exchange | - | - | **(1.7)** | 1.7 |
| **At 31 December** | - | - | **24.2** | 28.1 |
| **Shares in group undertakings** | | | | |
| As at 1 January | - | - | **444.1** | 445.5 |
| Additions | - | - | **55.3** | (0.3) |
| Impairment | - | - | **-** | (1.1) |
| **At 31 December** | - | - | **499.4** | 444.1 |
| **Total fixed asset investments** | - | - | **523.6** | 472.2 |

**Loans to group undertakings**

Loans to group undertakings represent loans made to JCB Vibromax GmbH. The loan is repayable on demand and the interest rate is floating at 1% above Euro Refi Rate, payable annually in arrears.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 14. Investments (continued)

| | Group 2021 £m | Group 2020 £m | Company 2021 £m | Company 2020 £m |
|---|---|---|---|---|
| **Investment in associates** | | | | |
| At 1 January | **14.6** | 3.7 | - | - |
| Share of profit after taxation | **5.3** | 10.9 | - | - |
| Dividend | **(5.0)** | - | - | - |
| **At 31 December** | **14.9** | 14.6 | - | - |

The group has a 25% investment in the ordinary share capital of JCB Finance Limited, a company incorporated in the UK that provides instalment credit and leasing facilities and an investment in the ordinary share capital of JCB Finance Holdings Limited, a holding company incorporated in the UK that is a joint operation established between BNP Paribas Lease Group Plc (50.1%) and JCB Financial Solutions UK Limited (49.9%). The investments are accounted for using the equity method.

**Group undertakings**

At 31 December 2021 the company directly has the following subsidiary companies. All equity holdings are in Ordinary shares. The Directors consider the value of investments to be supported by the underlying assets and future trading forecasts.

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| J C Bamford Excavators Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Earthmovers Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Cab Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Sales Limited | 100% | Sales and marketing | UK |
| JCB Transmissions | 100% | Transmissions manufacturer and sales | UK |
| JCB Accounting and Systems Ltd | 100% | Property investment company | UK |
| JCB Parts Ltd | 100% | Non-trading | UK |
| JCB Compact Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Consumer Products Limited | 100% | Marketing activities | UK |
| JCB do Brasil Ltda | 100% | Equipment manufacturer and sales | Brazil |
| JCB Vibromax GmbH | 100% | Equipment manufacturer and sales | Germany |
| JCB SpA | 100% | Equipment distributor | Italy |
| JCB Maquinaria SA | 100% | Services provider | Spain |
| JCB Sales Asia Pacific Pte Ltd | 100% | Equipment distributor | Singapore |
| JCB Kenya Services Limited | 100% | Services provider | Kenya |
| JCB Mini Excavators Limited | 100% | Non-trading | UK |
| JCB Special Products Limited | 100% | Non-trading | UK |
| JCB Attachments Limited | 100% | Non-trading | UK |
| JCB Argentina SRL | 100% | Services provider | Argentina |
| JCB Finance International Limited | 100% | Non-trading | UK |

Through its holding in the subsidiary companies listed above, the company also has an interest in:

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| JCB Australia Pty Ltd | 100% | Services provider | Australia |
| J C Bamford Investments | 100% | Investment trading | UK |
| JCB Benelux Ltd | 100% | Intermediate holding company | UK |
| JCB Insurance Services Limited | 100% | Insurance broker | UK |
| JCB Materials Handling Limited | 100% | Non-trading | UK |
| JCB Power Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Landpower Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Heavy Products Ltd | 100% | Equipment manufacturer and sales | UK |

### 14. Investments (continued)

| | | | |
|---|---|---|---|
| JCB Power Products Broadcrown Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Backhoe Loaders Ltd | 100% | Non-trading | UK |
| JCB Remarketing Limited | 100% | Non-trading | UK |
| JCB Defence Products Limited | 100% | Non-trading | UK |
| JCB North America Limited | 98% | Intermediate holding company | UK |
| A Bamford Trading Company Limited* | 100% | Non-trading | UK |
| JCB Drivetrain Systems Limited* | 100% | Non-trading | UK |
| JCB Equipment Limited | 100% | Non-trading | UK |
| JCB Golf and Country Club Limited | 100% | Golf and Leisure facilities | UK |
| L Gardner & Sons Limited | 100% | Non-trading | UK |
| JCB Management Services | 100% | Non-trading | UK |
| JCB Credit Limited | 100% | Non-trading | UK |
| JCB Financial Solutions UK Limited | 100% | Intermediate holding company | UK |
| JCB US Holdings Inc | 98% | Intermediate holding company | USA |
| JCB Inc | 98% | Equipment distributor | USA |
| JCB Manufacturing Inc | 98% | Equipment manufacturer and sales | USA |
| JCB Finance Company | 98% | Finance company | USA |
| North Georgia Construction LLC | 50% | Non-trading | USA |
| JCB Vibromax Inc | 100% | Non-trading | USA |
| JCB Dallas LLC | 98% | Equipment distributor | USA |
| JCB Houston LLC | 98% | Equipment distributor | USA |
| JCB Southern California LLC | 98% | Equipment distributor | USA |
| JCB Dallas Real Estate LLC | 98% | Real estate | USA |
| JCB Houston Real Estate LLC | 98% | Real estate | USA |
| JCB Southern California Real Estate LLC | 98% | Real estate | USA |
| JCB Belgium NV | 100% | Equipment distributor | Belgium |
| JCB Excavators Limited | 100% | Non-trading | Canada |
| JCB Europe SARL | 100% | Equipment marketing | France |
| JCB Ile de France SNC | 99.9% | Equipment distributor | France |
| JCB SAS | 99.9% | Services provider | France |
| Lyomat SAS | 99.9% | Equipment distributor | France |
| JCB Euroservices SARL | 100% | Services provider | France |
| JCB Deutschland GmbH | 99% | Services provider | Germany |
| JCB Vertrieb and Service GmbH | 99% | Equipment distributor | Germany |
| JCB India Limited | 100% | Equipment manufacturer and sales | India |
| JCB Industries Private Limited | 100% | Equipment manufacturer and sales | India |
| J.C.Bamford Investments Private Limited | 100% | Intermediate holding company | India |
| JCB Literature Foundation* | 100% | Charitable company | India |
| Lady Bamford Foundation* | 100% | Charitable company | India |
| JCB Power Products India Private Limited | 100% | Equipment manufacturer and sales | India |
| JC Bamford Myanmar Private Limited | 100% | Non-trading | Myanmar |
| JC Bamford NV | 100% | Equipment distributor | Netherlands |
| JCB Global Financial Solutions BV | 100% | Intermediate holding company | Netherlands |
| JCB Russia LLC | 100% | Equipment distributor | Russia |

The companies marked with an asterisk (*) are not consolidated because they are not material to the group. The registered addresses of these companies are included in note 30.

### 15. Stock

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Raw materials | **414.3** | 247.4 | **7.8** | 3.3 |
| Work in progress | **44.1** | 51.7 | **-** | - |
| Finished goods | **119.4** | 102.9 | **-** | - |
| Parts for resale | **118.7** | 98.8 | **81.4** | 73.7 |
| | **696.5** | 500.8 | **89.2** | 77.0 |

During the year group stock recognised as an expense in cost of sales was £2,767.3 million (2020: £1,970.4 million). The company recognised £223.9 million (2020: £193.4 million) of stock as an expense in cost of sales.

Group stocks are stated after provisions of £67.4 million (2020: £52.9 million). Company stocks are stated after provisions of £19.1 million (2020: £21.3 million).

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

### 16. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Trade debtors | **164.5** | 138.2 | **16.6** | 14.6 |
| Amounts owed by parent | **398.2** | 397.6 | **398.2** | 397.6 |
| Amounts owed by subsidiary undertakings | **-** | - | **117.0** | 60.0 |
| Amounts owed by related parties outside the J.C.B. Service Group | **350.6** | 268.9 | **3.3** | 4.3 |
| Corporation tax recoverable | **9.6** | 14.8 | **-** | 8.4 |
| Deferred tax | **128.0** | 141.9 | **0.9** | 0.3 |
| Other taxation and social security | **107.7** | 62.4 | **0.7** | - |
| Other debtors | **112.1** | 60.7 | **0.1** | - |
| Derivative financial assets | **10.9** | 22.2 | **5.3** | 8.2 |
| Prepayments and accrued income | **16.3** | 13.1 | **2.3** | 1.8 |
| | **1,297.9** | 1,119.8 | **544.4** | 495.2 |

Group and company trade debtors exclude amounts discounted without recourse of £303.6 million (2020: £194.3 million) and £13.5 million (2020: £14.1 million) respectively.

A bad debt provision of £4.3 million (2020: £4.8 million) has been recognised against group trade debtors, and £nil (2020: £nil) against company trade debtors. No other category of debtors is deemed to be impaired.

Of the amounts owed by subsidiary undertakings £19.4 million (2020: £18.2 million) are trading balances and do not gather interest. The remaining balance relates to loans which carry rates of interest between 1% and 4% (2020: 1% and 4%). All amounts owed by subsidiary undertakings and related parties outside the J.C.B. Service Group are repayable on demand.

The amount of outstanding cash sales as at 31 December 2021 relating to IATA's Billing and Settlement Plan was £nil (2020: £nil).

## 16. Debtors (continued)

**Deferred tax**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| As at 1 January | **75.9** | 52.4 | **0.3** | - |
| Deferred tax credit in profit and loss account | **1.9** | 30.9 | **(0.5)** | - |
| Deferred tax (charge)/credit to the statement of other comprehensive income | **1.8** | (2.9) | **1.3** | 0.3 |
| Currency adjustments | **(0.3)** | (4.5) | - | - |
| **As at 31 December** | **79.3** | 75.9 | **1.1** | 0.3 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Excess of depreciation on fixed assets over taxation allowances | **(8.5)** | (3.4) | **(0.5)** | - |
| Tax losses available | **43.5** | 51.7 | **1.6** | - |
| Other timing differences | **44.3** | 27.6 | - | 0.3 |
| | **79.3** | 75.9 | **1.1** | 0.3 |

The movement in the deferred tax asset relating to pension schemes during the year was:

| | Group | |
|---|---|---|
| | **2021** | 2020 |
| | **£m** | £m |
| As at 1 January | **66.0** | 54.4 |
| Deferred tax credit in profit and loss account | **(9.2)** | 2.5 |
| Deferred tax charged to the statement of other comprehensive income: | | |
| - On remeasurement loss | **(21.7)** | 9.1 |
| - On change in tax rates | **13.6** | - |
| **As at 31 December** | **48.7** | 66.0 |

The net reversal of group deferred tax expected to occur next year is £24.0 million (2020: £17.0 million), relating to the increase in short term timing differences offset by the utilisation of tax losses.

The total amount of unrecognised deferred tax is £4.1 million (2020: £6.6 million) relating to carried forward tax losses. An asset has not been recognised due to the uncertainty of the future profitability of the companies to which it relates. These losses do not expire and can be carried forward indefinitely.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 17. Current asset investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Other investments | **6.6** | 7.8 | **-** | - |

Other investments represent holdings of other UK equities traded in active markets, the valuation of which is based on quoted market prices at the balance sheet date. The quoted market price used to value current asset investments held by the group is the current bid price. A fair value gain on other investments of £0.9 million (2020: £7.4 million loss) has been recognised in the profit and loss account during the year.

### 18. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Bank loans and overdrafts | **7.3** | 2.0 | **-** | - |
| Trade creditors | **561.2** | 410.2 | **31.0** | 22.8 |
| Derivative financial instruments | **2.5** | 0.2 | **1.7** | - |
| Amounts owed to subsidiary undertakings | **-** | - | **127.0** | 137.0 |
| Amounts owed to other related parties outside J.C.B. Service Group | **51.3** | 31.2 | **17.9** | 10.7 |
| Corporation tax | **6.6** | 9.1 | **5.0** | - |
| Other taxation and social security | **27.1** | 30.6 | **0.7** | 0.6 |
| Pension costs | **11.2** | 9.5 | **-** | - |
| Other creditors | **43.4** | 58.4 | **0.7** | 0.9 |
| Sales incentives | **92.6** | 105.1 | **3.7** | 2.0 |
| Accruals and deferred income | **291.4** | 249.5 | **30.5** | 31.7 |
| | **1,094.6** | 905.8 | **218.2** | 205.7 |

The bank overdrafts are repayable on demand.

### 19. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **£m** | £m | **£m** | £m |
| Senior loan notes | **195.2** | 195.2 | **195.2** | 195.2 |
| Derivative financial instruments | **3.8** | - | **1.6** | - |
| Other creditors | **1.2** | 1.2 | **-** | - |
| Deferred income | **25.5** | 20.9 | **25.5** | 20.9 |
| | **225.7** | 217.3 | **222.3** | 216.1 |

The group issued senior loan notes of £195.5 million principal on 26 July 2013. The loan notes mature on 26 July 2028 and interest is payable at a rate of 4.12%. The loan notes are stated net of capitalised arrangement fees of £0.3m (2020: £0.3m).

# Notes to the financial statements for the year ended 31 December 2021 (continued)

## 20. Provisions for liabilities

**Group**

| | **2021 Deferred tax £m** | **2021 Warranty provision £m** | **2021 Total £m** | 2020 Deferred tax £m | 2020 Warranty provision £m | 2020 Total £m |
|---|---|---|---|---|---|---|
| As at 1 January | **20.0** | **73.4** | **93.4** | 20.0 | 84.7 | 104.7 |
| Charged to the profit and loss account | **-** | **85.2** | **85.2** | - | 52.4 | 52.4 |
| Amounts utilised during the year | **-** | **(71.9)** | **(71.9)** | - | (63.7) | (63.7) |
| **As at 31 December** | **20.0** | **86.7** | **106.7** | 20.0 | 73.4 | 93.4 |

**Company**

| | **2021 Deferred tax £m** | **2021 Warranty provision £m** | **2021 Total £m** | 2020 Deferred tax £m | 2020 Warranty provision £m | 2020 Total £m |
|---|---|---|---|---|---|---|
| As at 1 January | **-** | **8.5** | **8.5** | 0.5 | 14.8 | 15.3 |
| Charged/(credited) to the profit and loss account | **-** | **26.8** | **26.8** | (0.5) | 17.0 | 16.5 |
| Amounts utilised during the year | **-** | **(18.8)** | **(18.8)** | - | (23.3) | (23.3) |
| **As at 31 December** | **-** | **16.5** | **16.5** | - | 8.5 | 8.5 |

The group deferred tax liability relates to unremitted retained earnings of overseas subsidiaries.

The company deferred tax liability in 2020 relates to excess taxation allowances over depreciation and other timing differences.

It is expected that most standard warranty expenditure will be incurred in the next financial year, and the significant majority will be incurred within two years of the balance sheet date. Included in other debtors (note 16) is an amount totalling £16.5 million (2020: £17.0 million) (group), and £nil (2020: £nil) (company) representing amounts recoverable from suppliers.

### 21. Pension scheme deficit

| **Pension schemes**<br>Defined benefit schemes with net assets (net of deferred tax) comprise: | **2021**<br>**£m** | 2020<br>£m |
|---|---|---|
| UK | **-** | - |

| Defined benefit schemes with net liabilities (net of deferred tax) comprise: | **2021**<br>**£m** | 2020<br>£m |
|---|---|---|
| UK | **144.3** | 279.5 |
| Overseas | **8.6** | 10.9 |
| | **152.9** | 290.4 |

**UK**
In the UK, pension arrangements are principally provided by two defined benefit schemes, J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit Scheme (Senior Directors). The most recent formal actuarial valuations were carried out as at 6 April 2021 and 1 January 2020 respectively (both updated to 31 December 2021) by Mercer, a qualified independent actuary.

**Overseas**
Four schemes provide pensions under defined benefit arrangements. A valuation of these schemes has been prepared by an independent, qualified actuary, as at 31 December 2021 using a methodology consistent with FRS 102.

The total amounts recognised in the balance sheet are as follows:

| | **2021**<br>**£m** | 2020<br>£m |
|---|---|---|
| Present value of funded obligations | **(1,214.6)** | (1,332.5) |
| Fair value of plan assets | **1,052.6** | 1,017.7 |
| | **(162.0)** | (314.8) |
| Effect of surplus cap | **(39.6)** | (38.1) |
| Pension scheme deficit | **(201.6)** | (352.9) |

The amounts recognised in the profit and loss account within operating profit are as follows:

| | **2021**<br>**£m** | 2020<br>£m |
|---|---|---|
| Current service cost & scheme administration costs | **13.6** | 22.3 |
| Interest cost | **19.3** | 24.9 |
| Interest income on plan assets | **(15.1)** | (19.3) |
| Effect of curtailments (note 6) | **(31.1)** | - |
| Net pension (credit)/cost recognised in the profit and loss account | **(13.3)** | 27.9 |

The amounts recognised in the statement of comprehensive income are as follows:

| | **2021**<br>**£m** | 2020<br>£m |
|---|---|---|
| Remeasurement (gains)/losses immediately recognised | **(115.4)** | 46.2 |
| Effect of surplus cap | **1.0** | 3.8 |
| Total pension (gains)/losses recognised in the statement of comprehensive income | **(114.4)** | 50.0 |

## 21. Pension scheme deficit (continued)

Changes in the present value of the defined benefit obligations are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Benefit obligations at beginning of year | **1,332.5** | 1,157.6 |
| Current service cost | **12.9** | 24.8 |
| Past service cost | **(31.1)** | (3.3) |
| Interest cost | **19.3** | 24.9 |
| Plan participants' contributions | **1.3** | 4.3 |
| Remeasurement (gain)/loss | **(70.8)** | 169.0 |
| Benefits paid | **(47.6)** | (44.8) |
| Insurance premiums for risk benefits | **(0.8)** | (1.0) |
| Exchange differences | **(1.1)** | 1.0 |
| Benefit obligations at end of year | **1,214.6** | 1,332.5 |

Changes in the fair value of the plan assets are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Fair value of plan assets at beginning of year | **1,017.7** | 884.9 |
| Interest income on plan assets | **15.1** | 19.3 |
| Remeasurement gains | **44.6** | 122.8 |
| Employer contributions | **22.5** | 32.1 |
| Member contributions | **1.3** | 4.3 |
| Benefits paid | **(47.6)** | (44.8) |
| Insurance premiums for risk benefits | **(0.8)** | (1.0) |
| Exchange differences | **(0.2)** | 0.1 |
| Fair value of plan assets at end of year | **1,052.6** | 1,017.7 |

Changes in the pension scheme deficit are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£m** | £m |
| Pension scheme deficit at beginning of year | **352.9** | 306.3 |
| Current service cost | **12.9** | 24.8 |
| Past service cost | **(31.1)** | (3.3) |
| Interest cost | **19.3** | 24.9 |
| Interest income on plan assets | **(15.1)** | (19.3) |
| Remeasurement (gain)/loss | **(115.4)** | 46.2 |
| Employer contributions | **(22.5)** | (32.1) |
| Exchange differences | **(0.9)** | 0.9 |
| Effect of surplus cap | **1.5** | 4.5 |
| Pension scheme deficit at end of year | **201.6** | 352.9 |

## 21. Pension scheme deficit (continued)

The major categories of plan assets as percentages of total plan assets are as follows:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Equity instruments | **43.9%** | 40.1% | - | - | - | - |
| Debt instruments | **49.9%** | 54.1% | **91.6%** | 99.9% | - | - |
| Real estate | **5.7%** | 5.2% | - | - | - | - |
| Other | **0.5%** | 0.6% | **8.4%** | 0.1% | **100.0%** | 100.0% |
| | **100.0%** | 100.0% | **100.0** | 100.0% | **100.0%** | 100.0% |

Weighted average assumptions used to determine benefit obligations:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Discount rate | **1.80%** | 1.50% | **1.80%** | 1.50% | **1.50%** | 1.10% |
| Rate of salary increase | **0.00%** | 2.90% | **0.00%** | 2.90% | **2.90%** | 2.75% |
| Rate of price inflation (CPI) | **2.80%** | 2.20% | **2.30%** | 2.20% | **1.90%** | 1.75% |
| Rate of pension increases | **3.20%** | 2.70% | **3.20%** | 2.70% | **1.90%** | 1.75% |

Assumed life expectations on retirement at age 65:

| | JC Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Male member age 65 (current life expectancy) | **21.8** | 22.2 | **25.7** | 25.6 | 20.0-24.8 | 20.4-24.8 |
| Male member aged 45 (life expectancy at age 65) | **23.2** | 23.9 | **27.5** | 27.5 | 23.5-28.3 | 23.5-28.3 |
| Female member age 65 (current life expectancy) | **24.1** | 24.6 | **27.2** | 27.2 | 23.6-28.3 | 23.6-28.3 |
| Female member aged 45 (life expectancy at age 65) | **25.8** | 26.4 | **29.0** | 29.0 | 26.4-32.0 | 26.4-32.0 |

The group has considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Under the terms of the recovery plan agreed with the pension scheme trustees following the triennial valuation in 2021, the company is required to pay contributions of £18.4m per annum until 31st December 2026 to fund the deficit identified on a scheme specific funding basis at that time. The next triennial valuation is due to be performed as at 6th April 2024, after which a revised recovery plan will be agreed.

Over the year to 31 December 2021 the group paid contributions of £22.2 million (2020: £31.6 million) to the J C Bamford Lifeplan scheme. The J C Bamford Lifeplan is closed to new entrants and as such the age profile of the active membership will increase over time. As a result, under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

In April 2021 both the Lifeplan pension scheme and the Senior Directors scheme were closed to future accruals. The closure of the Lifeplan scheme resulted in a curtailment gain of £31.1m and costs of £21.2m have been incurred in relation to this pension scheme closure.

Over the year to 31 December 2021 the group also paid contributions of £0.4 million (2020: £0.5 million) to the group's other defined benefit pension schemes.

Defined benefit costs recognised in the profit and loss account are charged to administrative expenses.

### 22. Financial Instruments

| Group | Note | 2021 £m | 2021 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | **10.9** | | 22.2 | |
| - Current asset investments | 17 | **6.6** | | 7.8 | |
| | | | **17.5** | | 30.0 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **164.5** | | 138.2 | |
| - Amounts owed by parent | 16 | **398.2** | | 397.6 | |
| - Amounts owed by related parties outside J.C.B. Service Group | 16 | **350.6** | | 268.9 | |
| - Other debtors | 16 | **112.1** | | 60.7 | |
| | | | **1,025.4** | | 865.4 |
| Financial assets constituting equity instruments measured at cost less impairment | 14 | | **14.9** | | 14.6 |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | **6.3** | | 0.2 |
| Financial liabilities measured at amortised cost | | | | | |
| - Bank loans and overdrafts | 18 | **7.3** | | 2.0 | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **561.2** | | 410.2 | |
| - Amounts owed to other related parties outside J.C.B. Service Group | 18 | **51.3** | | 31.2 | |
| - Other creditors and accruals | 18/19 | **405.7** | | 323.5 | |
| | | | **1,220.7** | | 962.1 |

# J.C.B. Service

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 22. Financial Instruments (continued)

| Company | Note | 2021 £m | 2021 £m | 2020 £m | 2020 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | | **5.3** | | 8.2 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **16.6** | | 14.6 | |
| - Amounts owed by parent | 16 | **398.2** | | 397.6 | |
| - Amounts owed by subsidiary undertakings | 16 | **117.0** | | 60.0 | |
| - Amounts owed by related parties outside J.C.B Service Group | 16 | **3.3** | | 4.3 | |
| - Other debtors | 16 | **0.1** | | - | |
| | | | **535.2** | | 476.5 |
| Financial assets constituting equity instruments measured at cost less impairment | | | - | | - |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | **3.3** | | - |
| Financial liabilities measured at amortised cost | | | | | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **31.0** | | 22.8 | |
| - Amounts owed to subsidiary undertakings | 18 | **127.0** | | 137.0 | |
| - Amounts owed to other related parties outside J.C.B. Service Group | 18 | **17.9** | | 10.7 | |
| - Other creditors and accruals | 18/19 | **27.4** | | 22.1 | |
| | | | **398.5** | | 387.8 |

Details of conditions pertaining to debt are disclosed in notes 18 and 19 of these financial statements.

**Derivative financial instruments**
The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain forecast foreign currency sales and receivables. At 31 December 2021, the outstanding contracts all mature within 24 months of the year end (2020: 21 months). The group is committed to sell $1,057.5 million and €nil (2020: $505.0 million and €10.0 million) in exchange for pounds sterling.

The company is committed to sell $553.7 million and €nil (2020: $180 million and €nil) in exchange for pounds sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The gross fair values of forward-foreign currency contracts held by the group are an asset of £10.9 million (2020: £22.2 million) and a liability of £6.3 million (2020: £0.2 million). The gross fair values of forward-foreign currency contracts held by the company are an asset of £5.3 million (2020: £8.2 million) and a liability of £3.3 million (2020: £nil).

## 23. Called up share capital

| Group and Company | 2021 £ | 2020 £ |
|---|---|---|
| **Allotted, called up and fully paid up** | | |
| 48,710 Ordinary shares of £1 each (2020: 48,710 Ordinary shares of £1 each) | **48,710** | 48,710 |

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from winding up of the company. The shares are non-redeemable.

## 24. Reserves

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

Other reserves – comprises a merger reserve, unrealised foreign exchange differences and reserves designated for capital and other purposes including hedging and derivative financial instruments.

Profit and loss account – includes all current and prior year retained profits and losses.

## 25. Notes to the cash flow statement

**Reconciliation of operating profit to operating cash flows**

| | 2021 £m | 2020 £m |
|---|---|---|
| Operating profit | **516.3** | 140.7 |
| Depreciation | **41.7** | 49.1 |
| Amortisation of goodwill | **17.5** | 17.0 |
| Profit on disposal of fixed assets | **(25.1)** | (0.6) |
| Difference between pension charge and cash contributions | **(36.9)** | (3.4) |
| (Increase)/decrease in fair value of current asset investments | **(0.9)** | 7.4 |
| (Increase)/decrease in stock | **(198.9)** | 14.3 |
| Increase in debtors | **(201.7)** | (18.4) |
| Increase in creditors (including warranty provision) | **192.5** | 169.7 |
| Currency translation differences | **10.7** | 9.9 |
| **Net cash inflow from operating activities** | **315.2** | 385.7 |

**Analysis of changes in net debt**

| | As at January 2021 £m | Cash flows £m | Acquired £m | Exchange movements £m | As at December 2021 £m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 870.9 | 5.0 | 22.3 | (3.7) | **894.5** |
| Senior loan notes (note 19) | (195.2) | - | - | - | **(195.2)** |
| **Total** | 675.7 | 5.0 | 22.3 | (3.7) | **699.3** |

## 26. Contingent liabilities

**Group**
Various companies within the group have a contingent liability in respect of guarantees and indemnities given by Barclays Bank plc, HSBC Bank plc and Lloyds Bank plc on their behalf. The group's liability in respect of these at 31 December 2021 was £11.8 million (2020: £22.7 million).

**Company**
The company has a contingent liability in relation to guarantees and indemnities given by Barclays Bank plc and HSBC Bank plc on its behalf. The company's liability in respect of these at 31 December 2021 was £5.7 million (2020: £13.5 million).

## 27. Related party transactions

The company has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A not to disclose details of transactions with entities that are wholly owned members of the group.

**Other related parties - Group**
The group subcontracts some of its research and development projects, and related management services, to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of services purchased by the group during the year was £71.6 million (2020: £41.2 million). The net amount owed by JCB Research to the group at 31 December 2021 was £155.6 million (2020: £92.2 million).

JCB Research is party to a jointly and severally liable pooled banking facility. At 31 December 2021 the group had an exposure of £347.9 million (2020: £346.2 million).

The group has transacted machines and parts with JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £0.2 million (2020: £3.7 million) and purchases of £64.5 million (2020: £37.2 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited at 31 December 2021 was £5.0 million (2020: £0.2 million owed to the group).

The group also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was sales of £nil (2020: £0.9 million) and purchases of £5.5 million (2020: £87.6 million). The net amount owed to JCB Hong Kong Limited at 31 December 2021 was £17.9 million (2020: £19.7 million).

The group transacts business with BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders. The group purchased branded products and merchandise from and sold parts to the BHoldings Limited group of companies. The total value of these transactions was sales and recharges of £21.9 million (2020: £16.3 million). The group paid £4.7 million (2020: £3.3 million) as a promotional services fee to BHoldings Limited. The net amount owed to the group by the BHoldings Limited group of companies at 31 December 2021 was £7.9 million (2020: £16.4 million).

The group has loaned funds to and provided administrative services to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The total value of these transactions was sales and recharges of £31.4 million (2020: £7.7 million). The net amount owed to the group by JCB Access Limited at 31 December 2021 was £19.8 million (2020: £19.7 million).

The group has also provided administrative services to Thrip Enterprises LLP, a partnership in which Lady Bamford OBE is a partner. The total value of these services was £1.3 million (2020: £1.2 million) and the amount owed to the group at 31 December 2021 was £0.3 million (2020: £0.8 million).

## 27. Related party transactions (continued)

The group has incurred rental and other charges of £3.1 million (2020: £3.2 million) from Bamford Property Limited, a company ultimately controlled by Bamford family interests. The group recharged expenditure of £9.4 million (2020: £8.4 million) incurred on behalf of this company during the year. The net amount owed to the group at 31 December 2021 by Bamford Property Limited was £95.1 million (2020: £88.8 million).

The group has a receivable of £5.2 million (2020: £5.1 million) with B Uttoxeter Property Holdings Limited, a company ultimately controlled by Bamford family interests.

The group recharged expenditure of £3.9 million (2020: £2.9 million) incurred on behalf of JCB Farms Limited, Wootton Organic Wholesale Ltd and Daylesford Organic Farms Limited, companies owned by Bamford Property Limited, during the year. The net amount owed to the group by these companies at 31 December 2021 was £38.3 million (2020: £34.4 million).

A donation of £0.8m was made to the Centre for Policy Studies (2020: £0.8m), of which The Lord Bamford DL is a director. Details of emoluments paid to the directors are disclosed in note 8 of these financial statements

**Other related parties – company**

The company has purchased parts from JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £0.2 million (2020: £0.2 million) and purchases of £0.1 million (2020: £0.1 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited by the company at 31 December 2021 by was £0.2 million (2020: £0.6 million).

The company also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £0.2 million (2020: £4.8 million). The net amount owed to JCB Hong Kong Limited at 31 December 2021 was £17.9 million (2020: £10.1 million).

The company has loaned funds to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The net amount owed to the company by JCB Access Limited at 31 December 2021 was £3.0 million (2020: £4.3 million).

Details of emoluments paid to the directors are disclosed in note 8 of these financial statements.

## 28. Ultimate controlling party

The company is a subsidiary of JCB Group Holdings Sàrl a company registered in Switzerland, registered address: Avenue de Rhodanie 58, 1007 Lausanne, Switzerland. JCB Group Holdings Sàrl is the largest and smallest group which consolidates the financial statements of J.C.B. Service and is ultimately controlled by Bamford family interests.

## 29. Events after the reporting period

On 20 January 2022 the group acquired JCB Hong Kong Limited, a company ultimately controlled by Bamford family interests for consideration of £59.4m.

Management have considered the impact of the escalation of the tensions between Russia and Ukraine when preparing these financial statements and consider the invasion is a non-adjusting post balance sheet event. At 31 December 2021, the Russian subsidiary represented 2.1% of the Group's net assets. During March 2022 management announced that its Russian subsidiary has stopped manufacturing and selling machines in Russia, and the Group continues to keep the situation under review. If the current situation persists, it is possible that an impairment of the assets impacted may be required in the accounts for the year ended 31 December 2022.

## 30. Registered Addresses

The registered addresses of the subsidiary and associated undertakings are detailed below:

| Company | Registered address |
|---|---|
| J C Bamford Excavators Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford Investments | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Benelux Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Earthmovers Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Cab Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Insurance Services Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Materials Handling Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Sales Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Transmissions | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Landpower Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Heavy Products Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Backhoe Loaders Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Accounting and Systems Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Parts Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Remarketing Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Defence Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Financial Solutions UK Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Consumer Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Broadcrown Limited | Hixon Airfield Industrial Estate, Hixon, Stafford, England, ST18 0PF |
| JCB Power Products India Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Compact Products Limited | Harewood Estate, Leek Road, Cheadle, Stoke-on-Trent, ST10 2JU |
| JCB North America Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| A Bamford Trading Company Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Drivetrain Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Belgium NV | Nijverheidslaan, 1501, 3660, Opglabbeek, België |
| JCB do Brasil Ltda | Avenida Joseph Cyril Bamford, 3600 – Eden – Sorocaba- São Paulo, 18013-139 |
| JCB Excavators Limited | 145 King St. W. Ste 2701 Toronto, CA M5H 1J8 |
| JCB Europe SARL | 3, Rue du Vignolle, 95842, Sarcelles, France |
| JCB Ile de France SNC | 5, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB SAS | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| Lyomat SAS | Chemin De La Lone, 6 9491, Pierre-Bénite, France |
| JCB Euroservices SARL | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB Deutschland GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB Vertrieb and Service GmbH | Europaallee 113, 50226 Frechen, Germany |
| JCB Vibromax GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB India Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB SpA | Via Enrico Fermi, 16, 20090, Assago (Milan), Italy |
| J C Bamford NV | Zandweistraat, 16, 4181, CG Waardenburg, Netherlands |
| JCB Global Financial Solutions BV | Concertgebouwplein 5, 1071 LL Amsterdam |
| JCB Russia LLC | Russian Federation, 107045, Moscow, Trubnaya St, 12, Office 1A |
| JCB Maquinaria SA | C/Francisco Alonso, 11-B, 28806, Alcalá de Henares, Madrid, Spain |
| JCB Sales Asia Pacific Pte Ltd | No.50 Collyer Quay, #04-04 OUE Bayfront, Singapore 049321 |
| JCB US Holdings Inc | 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA |
| JCB Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Manufacturing Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Finance Company | 103 Foulk Road, Suite 202, Wilmington, DE 19803 |
| North Georgia Construction LLC | 2679 Barrett Lakes Blvd, Kennesaw Ga 30144, USA |
| JCB Kenya Services Limited | LR. 1/1228, Chaka Place, Argwings, Khodhek Road, P.O BOX 46971-00100, Kenya |
| JCB Australia Pty Ltd | Suite 16, 828 High Street, Kew East VIC 3102, Australia |
| JCB Mini Excavators Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |

## 30. Registered Addresses (continued)

| Company | Registered address |
|---|---|
| JCB Special Products Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Attachments Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Vibromax Inc | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Argentina SRL | Carlos Pellegrini 1135, 6th Floor, City of Buenos Aires, Argentina |
| JCB Finance International Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Equipment Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JC Bamford Myanmar Private Limited | 192 Kaba Aye Pagoda Road, Bahan Township, Yangon City, Myanmar |
| JCB Golf and Country Club Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Industries Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| L Gardner & Sons Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Management Services | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Credit Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| J C Bamford Investments Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Literature Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| Lady Bamford Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Dallas LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Dallas Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Finance Limited | The Mill, High Street, Rocester, Nr Uttoxeter, ST14 5JW |

# Audited Financials (2020)

# J.C.B. Service

# Directors' Report and Consolidated Financial Statements

# for the year ended 31 December 2020

**Registered number 00564955**

# J.C.B. Service

## Contents

# J.C.B. Service

## Directors and advisors

**Directors**
The Lord Bamford DL
Lady Bamford OBE
G H A Bamford
J C E Bamford
A C Bamford
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

**Company secretary**
S E R Ovens

**Independent Auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 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

HSBC Bank plc
4th Floor
120 Edmund Street
Birmingham
B3 2QZ

National Westminster Bank plc
250 Bishopsgate
London
EC2M 4AA

Lloyds Bank plc
Ground Floor
10 Gresham Street
London
EC2V 7AE

Citibank NA
Canada Square
Canary Wharf
London
E14 5LB

ABC International Bank plc
1-5 Moorgate
London
EC2R 6AB

BNP Paribas Bank
10 Harewood Avenue
London
NW1 6AA

**Registered office**
Lakeside Works
Rocester
Uttoxeter
Staffs
ST14 5JP

**Registered number**
00564955

# J.C.B. Service

## Strategic report for the year ended 31 December 2020

The directors present their strategic report on the group for the year ended 31 December 2020.

**Principal activities**
The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

**Review of the business and future developments**
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. On 18 March 2020, the group took the decision to close a significant number of its factories and furloughed a proportion of its workforce under various Government schemes in the markets it operates. The group reopened the majority of its factories in May 2020.

The global construction equipment market, excluding China, contracted significantly in Q2 of 2020; however many markets rebounded faster than expected with the Construction and Agricultural sectors learning to live with the impacts of Covid-19. Globally the construction equipment market grew by 4% compared to 2019 (Source: ISTAT) although if China is excluded then the markets reduced by 7%. This growth was impacted by local, regional and global political landscapes, creating a mixture of market expansions and contractions as follows: UK & Ireland -27%, Continental Europe -12%, India, -7%, North America -5%, Middle East +9%, and China +36%. The post-Covid-19 market recovery is expected to gather momentum through 2021.

Group turnover fell to £3,141.8 million (2019: £4,158.7 million) and the number of units sold decreased by 21.7%. Operating profit for the year was £136.6 million (2019: £290.3 million). The group continues to invest in research and development, spending £82.8 million (2019: £104.4 million) in the year on new products which put JCB in a strong position in the construction equipment market.

The group has a strong balance sheet and net cash is £675.7 million (2019: £418.8 million).. The group generated operational cash of £310.3 million (2019: £174.7 million), invested £47.0 million (2019: £90.2 million) in capital assets and paid no dividend (2019: £95.0 million).

On 22 April 2020, J.C.B. Service issued commercial paper of £600.0 million through the Covid Corporate Finance Facility (CCFF) implemented by the UK Government. At the balance sheet date, this facility had been repaid in full.

In 2020 the assets and liabilities of Transmissions and Engineering Services Netherlands BV ("TESN") were merged with those of J.C.B. Service at book value under the principles of merger accounting. Immediately prior to the merger the 48,710 shares that were in issue were cancelled and new shares of an equivalent amount were issued to JCB Group Holdings Sàrl. Immediately following the issue of the shares, by way of a special resolution, the amount standing to the credit of the share premium account was cancelled and extinguished and £436.8 million was converted into distributable reserves. More detail of this merger are included in note 22 of these financial statements.

**Going concern**
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 J.C.B. Service is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, J.C.B. Service addresses a spectrum of regional markets and product sectors, and operates an organisation and capital structure which is flexible and fast reacting to market conditions. Over its history, J.C.B. Service has grown in the good years and weathered the downturns, increasing the size of the business as each cycle progresses.

Other key risks monitored by the executive management team are the competitive environment, protection of intellectual property, agility of the supply chain, 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.

The group continues to monitor the situation relating to Covid-19 and its impact on both the business and the industry as a whole.

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

***Credit risk***
J.C.B. Service's principal financial assets are cash held on deposit with financial institutions and trade and other debtors. The credit risk is primarily attributable to its trade debtors with potential recoverability issues mitigated by credit insurance. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. J.C.B. Service has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

***Liquidity risk***
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, J.C.B. Service uses a mixture of short term facilities, invoice discounting, and senior loan notes. Adequate facilities are available to support the group's business for at least 12 months from the date of this report.

***Exchange rate risk***
As part of their normal operating activities, certain companies in the group hedge exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof are invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts. The aggregate fair value of forward currency contracts outstanding at 31 December 2020 was a net asset of £22.0 million (2019: asset of £4.8 million).

***Interest rate risk***
The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group manages the risk through a combination of fixed and floating rate facilities. Long-term borrowings include senior loan notes of £195.2 million (2019: £195.2 million), which attract a fixed interest rate, whilst interest payable on the bank loans and overdrafts is linked to LIBOR.

**Key performance indicators (KPIs)**
J.C.B. Service uses a range of financial and non-financial indicators to monitor performance.

Financial measures are turnover, operating profit and cash generated from operations:

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Turnover | **3,141.8** | 4,158.7 |
| Operating profit | **140.7** | 290.3 |
| Net cash generated from operating activities | **310.3** | 174.7 |

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

### Environmental key performance indicators

***Streamlined Energy & Carbon Report***

J.C.B. Service has reported its current UK based annual energy usage and associated annual greenhouse gas emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnership (Energy & Carbon Report) Regulations 2018 (the regulations) that is effective from 1 April 2019.

The calculations have been completed in line with the ESOS methodology specified in the 'Energy Savings Opportunity Scheme Guidance' Version 6. Greenhouse Gas conversion factors were taken from the 2020 Condensed set of conversion factors published by DEFRA.

***Breakdown of energy consumption***

| | | |
|---|---|---|
| Total energy use covering electricity, gas and transport | **164,306,707** | kWh |
| Total emissions generated through combustion of gas | **15,679** | tCO2e |
| Total emissions generated through use of purchased electricity | **15,708** | tCO2e |
| Total emissions generated through use of other fuels (LPG) | **125** | tCO2e |
| Total emissions generated through owned business travel | **347** | tCO2e |
| Total gross emissions | **31,859** | tCO2e |
| Intensity ratio (total gross emissions per machine) | **1,232** | kgCO2e/machine |

***Energy efficiency actions***

In line with its commitment on environmental sustainability, the group has taken the following actions to improve energy efficiency in recent years:

- Upgraded factory and office lighting to LED and fitted light sensors during upgrades;
- Increased availability and encouraged use of video conferencing to reduce travel;
- Used Building Management Systems to ensure efficient control of HVAC services;
- Installed an elevated energy efficient curing oven in the new Cabs factory;
- Installed invertor controls on a significant number of pumps and motors; and
- Maintained and extended use of our energy management software and reporting tool.

**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 group 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 group should react to the Covid-19 outbreak.

***Suppliers and customers***

The group develops innovative new products that are designed to meet global customer 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 group'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 group 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 group's supplier code of conduct, health and wellbeing policy and other documents are published on the group's website.

**On behalf of the board**

**The Lord Bamford DL**
Chairman
07-MAY-2021

## Directors' report for the year ended 31 December 2020

The directors present their report and the audited consolidated and company financial statements for the year ended 31 December 2020.

**Future developments**
Details of anticipated future developments in the group's business have been provided in the strategic report on page 2.

**Dividends**
No dividend was paid during the year (2019: £95.0 million).

**Research and development**
The group continues to invest in product research and development with expenditure during the year of £82.8 million (2019: £104.4 million).

**Political donations**
The group made political donations to the Midlands Industrial Council of £25,000 (2019: £150,000) and made no political donations to The Conservative Party during the year (2019: £2.8 million).

**Statutory records**
The company is a privately held unlimited company which is incorporated in the UK and its company registration number is 00564955.

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

The Lord Bamford DL
Lady Bamford OBE
G H A Bamford
J C E Bamford
A C Bamford
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

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

**Corporate Governance**
The directors are collectively responsible for ensuring that they operate in a manner which best promotes the interests of the group with consideration to its wider group of stakeholders. Underpinning this responsibility is an appropriate Corporate Governance framework, specifically designed to meet the needs of JCB and is broadly in line with the Wates Principles. The framework ensures the values, strategy and culture of the group are communicated and followed.

***Purpose and leadership***
The group's mission is to grow by providing innovative, strong and high-performance products and solutions to meet the needs of global customers, supported by superior customer care. This care extends to the environment and the community. The group wants to help build a better future where hard work and dedication are given their just reward. These fundamental principles drive the governance of the group.

***Board composition***
The directors possess the required skills and experience to run the business. Executive directors that are appointed have demonstrated substantial experience working within the group. The directors comprise the Chairman, Chief Executive Officer, executive directors and a non-executive director. The diversity of the board supports the group's values on gender equality. The directors meet on a regular basis, however additional meetings can be called as necessary to perform its functions.

***Director responsibilities***
The directors are responsible for the group's strategy, including the likely consequences of any decisions in the long term and the general conduct of the group's affairs. The directors review and oversee the group's policy in relation to employee remuneration (delegated to a remuneration committee); succession planning; risk management and internal control; safety and environmental matters; and regulatory compliance. A wider team of senior management is responsible for the operational management of the group with support and guidance from the directors. Clear written guidelines have been set outlining matters solely reserved for approval by the directors.

***Opportunity and risk***
The directors regularly review the strategies, opportunities and risks faced by the group. A group risk and control committee meets on a monthly basis to identify and monitor risks and these are communicated to senior management. The principal risks facing the group are set out in detail in the strategic report.

***Remuneration***
The directors ensure that remuneration for all employees is appropriate and fair. The directors have appointed a remuneration committee comprising certain directors and advisors that is responsible for senior directors pay and benefits. Remuneration is linked to the achievement of the group as well as personal performance. The directors are mindful of the gender pay gap and report on this annually on the group's website.

***Stakeholder relationships and engagement***
The directors acknowledge the need to encourage employee involvement in the improvement of the group's performance by supporting individual training and performance plans. Important information is supplied and feedback is obtained through regular consultation with employees. Regarding the local community, the group has a long-standing tradition of providing support through various means including sponsoring local schools, recreational facilities and other good causes. In addition, the group regularly meets with local government representatives to discuss and understand the likely consequences of any decisions. The group's statement on stakeholder engagement is set out below.

**Employee engagement**
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 employees when they assessed how the group should react to the Covid-19 outbreak.

The group 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 group.

**Stakeholder engagement**
The group 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 group'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 group's key performance indicators, business review, going concern, future prospects, principal risks and uncertainties, and financial risk management have been included within the group's Strategic Report on pages 2 and 3 of these financial statements.

**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 group and company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group and 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 group 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.

**On behalf of the board**

**The Lord Bamford DL**
Chairman

07-MAY-2021

## Independent Auditors' report to the members of J.C.B. Service

## Report on the audit of the financial statements

**Opinion**

In our opinion, J.C.B. Service's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's cash flows 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 Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2020; the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statements 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 group 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**

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the group's forecasts for the period to 31 December 2022;
- Performing procedures to assess the mathematical accuracy of management's cash flow forecasts, and resulting cash headroom;
- Consideration and corroboration of assumptions made in management's base case and downside scenarios;
- Performing sensitivity analysis on management's model to understand the sensitivity of cash headroom to specific assumptions;
- Review of management's assessment and calculations with regards to covenant compliance, specifically over the going concern period; and
- Reviewing the appropriateness of the disclosures within the financial statements

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

## Independent Auditors' report to the members of J.C.B. Service (continued)

### 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 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 group and company and their 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 group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## Independent Auditors' report to the members of J.C.B. Service (continued)

***Auditors' responsibilities for the audit of the financial statements (continued)***

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, local and international tax regulations, health and safety regulations and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- reviewing internal audit reports;
- challenging assumptions and judgements made by management in their significant accounting estimates (because of the risk of management bias), in particular in relation to the carrying value of goodwill and investments; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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 company 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
7 May 2021

# J.C.B. Service

## Consolidated profit and loss account for the year ended 31 December 2020

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Turnover | 5 | **3,141.8** | 4,158.7 |
| Cost of sales | | **(2,575.7)** | (3,324.7) |
| **Gross profit** | | **566.1** | 834.0 |
| Distribution costs | | **(153.4)** | (199.0) |
| Administrative expenses | | **(306.1)** | (352.4) |
| Other operating income | 6 | **34.1** | 7.7 |
| **Operating profit** | 6 | **140.7** | 290.3 |
| Share of associate's profit before tax | | **8.2** | 5.5 |
| Interest receivable and similar income | | **5.6** | 8.6 |
| Interest payable and similar expenses | 9 | **(24.4)** | (28.1) |
| **Profit before taxation** | | **130.1** | 276.3 |
| Tax on profit | 10 | **(46.3)** | (79.6) |
| **Profit for the financial year** | | **83.8** | 196.7 |

The company has taken advantage of Section 408 (1) of the Companies Act 2006 not to publish its own profit and loss account. The company's profit for the financial year was £47.2 million (2019: £22.2 million).

All activities are derived from continuing operations.

## Consolidated statement of comprehensive income for the year ended 31 December 2020

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| Profit for the financial year | | **83.8** | 196.7 |
| Other comprehensive income/(expense) | | | |
| Foreign exchange adjustments | | **(32.6)** | (27.8) |
| Change in value of hedging instruments: | | | |
| Gains arising during the year | | **29.3** | 31.9 |
| Re-classified to profit and loss | | **(12.1)** | (11.4) |
| Movement on deferred tax relating to hedging instruments | | **(2.9)** | (3.5) |
| Re-measurement of pension liability | 21 | **(50.0)** | (53.0) |
| Movement on deferred tax relating to pension liability | | **9.1** | 9.1 |
| **Other comprehensive expense net of tax** | | **(59.2)** | (54.7) |
| **Total comprehensive income for the year** | | **24.6** | 142.0 |

# J.C.B. Service

## Consolidated balance sheet as at 31 December 2020

| | Note | **2020** | 2019 |
|---|---|---|---|
| | | **£m** | £m |
| **Fixed assets** | | | |
| Intangible assets | 12 | **153.6** | 170.6 |
| Tangible assets | 13 | **532.5** | 576.3 |
| Investments | 14 | **14.6** | 3.7 |
| | | **700.7** | 750.6 |
| **Current assets** | | | |
| Stock | 15 | **500.8** | 530.3 |
| Debtors | 16 | **1,119.8** | 663.0 |
| Investments | 17 | **7.8** | 12.7 |
| Cash at bank and in hand | | **872.9** | 615.6 |
| | | **2,501.3** | 1,821.6 |
| **Creditors – amounts falling due within one year** | 18 | **(905.8)** | (745.6) |
| **Net current assets** | | **1,595.5** | 1,076.0 |
| **Total assets less current liabilities** | | **2,296.2** | 1,826.6 |
| Creditors: amounts falling due after more than one year | 19 | **(217.3)** | (212.7) |
| Provisions for liabilities | 20 | **(93.4)** | (104.7) |
| Pension scheme deficit | 21 | **(352.9)** | (306.3) |
| **Net assets** | | **1,632.6** | 1,202.9 |
| **Capital and reserves** | | | |
| Called up share capital | 24 | **-** | - |
| Share premium account | 25 | **-** | 31.7 |
| Other reserves | 25 | **57.4** | 43.1 |
| Profit and loss account | 25 | **1,575.2** | 1,128.1 |
| **Total equity** | | **1,632.6** | 1,202.9 |

The financial statements on pages 12 to 47 were approved by the board of directors on 07-MAY-2021 and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

# J.C.B. Service

## Company balance sheet as at 31 December 2020

| | Note | 2020<br>£m | 2019<br>£m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 13 | **19.1** | 20.2 |
| Investments | 14 | **472.2** | 477.9 |
| | | **491.3** | 498.1 |
| **Current assets** | | | |
| Stock | 15 | **77.0** | 80.6 |
| Debtors | 16 | **495.2** | 358.6 |
| Cash at bank and in hand | | **362.0** | 16.3 |
| | | **934.2** | 455.5 |
| **Creditors – amounts falling due within one year** | 18 | **(205.7)** | (189.7) |
| **Net current assets** | | **728.5** | 265.8 |
| **Total assets less current liabilities** | | **1,219.8** | 763.9 |
| Creditors: amounts falling due after more than one year | 19 | **(216.1)** | (211.5) |
| Provisions for liabilities | 20 | **(8.5)** | (15.3) |
| **Net assets** | | **995.2** | 537.1 |
| **Capital and reserves** | | | |
| Called up share capital | 24 | - | - |
| Share premium account | 25 | - | 31.7 |
| Other reserves | 25 | **6.7** | 0.9 |
| Profit and loss account | 25 | **988.5** | 504.5 |
| **Total equity** | | **995.2** | 537.1 |

The financial statements on pages 12 to 47 were approved by the board of directors on 07-MAY-2021 and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

## J.C.B. Service

### Consolidated statement of cash flows for the year ended 31 December 2020

| | Note | 2020 £m | 2020 £m | 2019 £m | 2019 £m |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 26 | | **385.7** | | 263.7 |
| Taxation paid | | | **(75.4)** | | (89.0) |
| **Net cash generated from operating activities** | | | **310.3** | | 174.7 |
| **Cash flow from investing activities** | | | | | |
| Purchase of tangible assets | | **(47.0)** | | (90.2) | |
| Proceeds from sale of tangible assets | | **10.6** | | 2.8 | |
| Interest received | | **5.6** | | 8.6 | |
| Dividends received from associate | | **-** | | 5.0 | |
| Acquisition of subsidiaries (net of cash acquired) | | **-** | | (51.8) | |
| Cash acquired with merger | 22 | **5.9** | | - | |
| **Net cash used in investing activities** | | | **(24.9)** | | (125.6) |
| **Cash flow from financing activities** | | | | | |
| Receipts from revolving credit facility | | **359.0** | | - | |
| Repayment of revolving credit facility | | **(359.0)** | | - | |
| Issue of Commercial Paper | | **600.0** | | - | |
| Redemption of Commercial Paper | | **(600.0)** | | - | |
| Dividends paid to shareholders | 11 | **-** | | (95.0) | |
| Interest paid | | **(24.4)** | | (28.1) | |
| **Net cash used in financing activities** | | | **(24.4)** | | (123.1) |
| **Net increase/(decrease) in cash and cash equivalents** | | | **261.0** | | (74.0) |
| **Cash and cash equivalents at the beginning of the year** | | | **614.0** | | 700.0 |
| **Foreign exchange translation adjustment** | | | **(4.1)** | | (12.0) |
| **Cash and cash equivalents at the end of the year** | | | **870.9** | | 614.0 |

| | Note | 2020 £m | 2019 £m |
|---|---|---|---|
| **Cash and cash equivalents consists of:** | | | |
| Cash at bank and in hand | | **872.9** | 615.6 |
| Overdrafts | 18 | **(2.0)** | (1.6) |
| **Cash and cash equivalents** | | **870.9** | 614.0 |
| Net debt due after one year | 19 | **(195.2)** | (195.2) |
| **Net cash** | | **675.7** | 418.8 |

# J.C.B. Service

## Consolidated statement of changes in equity for the year ended 31 December 2020

| | Called-up share capital | Share premium | Other reserves | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Balance as at 1 January 2019** | - | 31.7 | 26.1 | 1,098.1 | 1,155.9 |
| Profit for the financial year | - | - | - | 196.7 | 196.7 |
| Other comprehensive income/(expense) for the year | - | - | 17.0 | (71.7) | (54.7) |
| **Total comprehensive income/(expense) for the year** | - | - | **17.0** | **125.0** | **142.0** |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| **Balance as at 31 December 2019** | - | **31.7** | **43.1** | **1,128.1** | **1,202.9** |
| Profit for the financial year | - | - | - | 83.8 | 83.8 |
| Other comprehensive income/(expense) for the year | - | - | 14.3 | (73.5) | (59.2) |
| **Total comprehensive income for the year** | - | - | **14.3** | **10.3** | **24.6** |
| Merger transactions recognised in equity | - | - | 405.1 | - | 405.1 |
| Capital reduction | - | (31.7) | (405.1) | 436.8 | - |
| **Balance as at 31 December 2020** | - | - | **57.4** | **1,575.2** | **1,632.6** |

# J.C.B. Service

## Company statement of changes in equity for the year ended 31 December 2020

| | Called-up share capital | Share premium | Other reserves | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Balance as at 1 January 2019** | - | **31.7** | **(7.1)** | **577.3** | **601.9** |
| Profit for the financial year | - | - | - | 22.2 | 22.2 |
| Other comprehensive income for the year | - | - | 8.0 | - | 8.0 |
| **Total comprehensive expense for the year** | - | - | **8.0** | **22.2** | **30.2** |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| **Balance as at 31 December 2019** | - | **31.7** | **0.9** | **504.5** | **537.1** |
| Profit for the financial year | - | - | - | 47.2 | 47.2 |
| Other comprehensive income for the year | - | - | 5.8 | - | 5.8 |
| **Total comprehensive income for the year** | - | - | **5.8** | **47.2** | **53.0** |
| Merger transactions recognised in equity | - | - | 405.1 | - | 405.1 |
| Capital reduction | - | (31.7) | (405.1) | 436.8 | - |
| **Balance as at 31 December 2020** | - | - | **6.7** | **988.5** | **995.2** |

# J.C.B. Service

## Notes to the financial statements for the year ended 31 December 2020

## 1. General information

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling and agricultural machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

The company is incorporated and domiciled in England, UK. The address of its registered office is Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP.

## 2. Statement of compliance

The consolidated financial statements of J.C.B. Service 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 satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of J.C.B. Service which are included within this Annual Report. The company has taken advantage of the disclosure exemptions set out in paragraph 1.12 of FRS 102 specifically in relation to the company not preparing its own cash flow statement and the disclosure of transactions between companies within the same group.

In addition, the company has taken the exemption available in paragraph 408 (1) of the Companies Act 2006 to not disclose its own profit and loss account. The profit recorded by the company in the year ended 31 December 2020 totalled £47.2 million (2019: £22.2 million).

## 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, and in accordance with the Companies Act 2006 as modified for 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.

### Going concern

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.

## 3. Summary of significant accounting policies (continued)

### Basis of consolidation and accounting for other investments

*Subsidiaries*
The consolidated financial statements incorporate the financial statements of J.C.B. Service and entities controlled by J.C.B. Service (its subsidiaries) made up to the reporting date each year. Control is achieved where J.C.B. Service has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any negative goodwill that arises where the fair value of the group's interest in the identifiable assets and liabilities acquired of a subsidiary undertaking exceeds the fair value of the consideration given is recognised in the balance sheet and is credited to the profit and loss account in the period in which the non-monetary assets are recovered.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All intra-group balances and transactions are eliminated on consolidation and all unrealised gains on transactions between group companies are eliminated on consolidation.

*Associates*
Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

The group's share in associates' post-acquisition profits or losses is recognised in the profit and loss account.

Unrealised gains on transactions between group companies and transactions between the group and its associates are eliminated to the extent of the group's interest in each associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### Merger accounting

Under the merger accounting method, the results and cash flows of all the combining entities are brought into the financial statements from the beginning of the financial year in which the combination occurred. Assets and liabilities are merged at book value. The comparative information has not been restated.

The difference between the nominal value of the shares issued and the nominal value of the assets has been credited to other reserves as shown in the statement of equity.

### Foreign currency

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

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments, net assets of overseas subsidiaries including long term funding balances with those subsidiaries and from the translation of the profits or losses at average rates are recognised in other comprehensive income.

## 3. Summary of significant accounting policies (continued)

### Turnover recognition

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

The group recognises turnover from sales of products when significant risk and rewards have been transferred to external parties, 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 and when the outcome of contracts 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.

### Employee benefits

The group operates several defined benefit pension schemes for the benefit of its employees both in the UK and in certain overseas locations, the assets of which are held separately from those of the group in independently administered funds.

The fair value of pension scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability as determined by an independent actuary. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The interest income and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest and are calculated based on the discount rate. Curtailment gains are recognised in the profit and loss account. Remeasurement gains and losses are recognised in other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The group also operates a number of defined contribution pension schemes. The assets of these schemes are held in separately administered funds from the group. The pension charge represents contributions payable by the group to the funds.

### 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 sufficient taxable profits from which the future reversal of the timing differences can be deducted.

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

The deferred tax assets and liabilities are not discounted.

## 3. Summary of significant accounting policies (continued)

**Intangible assets - Goodwill**

Goodwill on consolidation, representing the excess of the cost of shares in subsidiaries over their net assets at the date of acquisition, is amortised to the profit and loss account on a straight line basis over its estimated useful economic life which is no more than 20 years.

Annually, the group assesses whether there are any indicators that the carrying amount of goodwill and other tangible assets may be impaired. Where indicators of impairment are identified, the group performs an impairment test to determine the recoverable amount of goodwill and other tangible assets. In assessing recoverable amount the group looks at the higher of the asset's value in use and its fair value less cost to sell. Where the recoverable amount is less than the asset's carrying amount, an impairment is recognised which is charged to the profit and loss account. For tangible assets where the factors that gave rise to the impairment have reversed, and the recoverable amount is determined to exceed the carrying amount, the impairment is reversed, such as to bring the asset back to the value it would have been carried at prior to the impairment charge being recognised, to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior periods.

**Tangible fixed assets**

The cost of fixed 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 | 1 - 5% |
| Leasehold land and buildings | Shorter of lease period and 50 years |
| Plant and machinery | 10 - 33.33% |
| Fixtures, fittings and equipment | 4 - 33.33% |
| Motor vehicles | 20 - 25% |

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

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

**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.

**Warranty provision**

Provision is made for the group'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, with amounts recoverable from suppliers included within other debtors. Deferred income in relation to extended warranty contracts is included within creditors and released to revenue over the life of the policy. Warranty associated costs are taken to cost of sales.

Where the costs associated with extended warranty contracts are forecast to exceed the income derived from those contracts the contracts are deemed to be onerous. Where warranty contracts are determined to be onerous, provision is made in full for all future costs expected to be incurred in excess of the income to be derived from those contracts.

## 3. Summary of significant accounting policies (continued)

**Research and development**

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

**Repairs and renewals**

All repairs and renewals are expensed as incurred.

**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.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions and the grants will be received. FRS 102 allows for government grants to be accounted for under either the performance or accruals model. The group applies either the performance or accruals model to different classes of government grants with each class of grant being accounted for under a consistent model. In determining whether grants represent different classes the issuing body, country of issue, performance conditions and specific terms are considered to determine whether grants should be treated as separate classes of grant.

Grants accounted for using the performance model recognise the entire amount of the grant when performance conditions are met. Where performance conditions are not met in full at the year end, the grant is taken to deferred income and released to the profit and loss account when the remaining performance conditions are met.

Grants accounted for using the accruals model recognise the amount of the grant over the period the associated costs are incurred. Where grants relate to capital expenditure items, grant income will be recognised over the same useful life over which the capital items are being depreciated. Where grant income relates to employee or other costs the grant income will be recognised in line with the proportion of costs incurred in any one financial period. Where amounts are received in excess of that which can be recognised in a financial period the excess amount is taken to deferred income and is released in subsequent periods. Grants that become receivable under the accruals model in respect of capital expenditure already depreciated or employee or other costs already incurred shall be recognised as income in the period they become receivable.

**Investments**

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

**Finance costs**

Finance costs incurred in securing the group's financing arrangements are capitalised and amortised over the term of the associated debt. Interest and other finance costs are charged to the profit and loss account as incurred.

**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.

**Dividends**

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

## 3. Summary of significant accounting policies (continued)

**Financial instruments**

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

*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.

*Financial liabilities*
Basic financial liabilities, including trade and other creditors, bank and other loans, loans from fellow group 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.

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

*Derivatives*
The group enters into certain foreign exchange forward contracts to manage its cash flow exposure over certain transactions undertaken in currencies other than the functional currency. These foreign exchange forward contracts are put in place to manage the risk of highly probable future forecast transactions.

The group applies hedge accounting to certain transactions entered to manage the foreign exchange risk. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair

## 3. Summary of significant accounting policies (continued)

*Derivatives (continued)*
value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

*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 the liability simultaneously.

## 4. Critical accounting judgements and estimation uncertainty

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

**Critical accounting estimates and assumptions**

The company and group make 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.

**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 13 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. See note 12 for the carrying amount of intangible assets.

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.

**Stock provisioning**

The group considers the recoverability of the cost of stock and makes an estimate of 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 15 for the net carrying amount of the stock and associated provision.

**Impairment of debtors**

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

## 4. Critical accounting judgements and estimation uncertainty (continued)

**Defined benefit pension scheme**

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management employs actuaries to estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

**Warranty provision**

The group considers the future cost of warranty claims and makes and estimate of 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, known performance issues and supplier recoveries. See note 20 for the warranty movement and year end provision.

**Sales incentive provision**

Under certain conditions the group 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.

**Taxation**

Transactions may occur during the normal course of business where the final tax determination is uncertain. Where such transactions occur, the group recognises liabilities for these transactions based on the likelihood that an additional liability will arise and an estimate of any additional tax that may become payable. In estimating the value of any uncertain tax positions, the group exercises judgement based on past experience and previous legal interpretations. Any differences between the estimated and actual tax liabilities are recognised in the financial statements in the year in which the uncertain position becomes known.

In the case of deferred tax arising on the unremitted earnings of the group's overseas subsidiaries, provision is made for the amount that is expected to be settled, based on management's judgement as to the probable amount of repatriation to the UK in the foreseeable future.

## 5. Turnover

An analysis of turnover by geographical market is given below:

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| United Kingdom | **412.5** | 667.8 |
| Europe | **853.4** | 1,187.2 |
| The Americas | **622.7** | 876.8 |
| India | **944.0** | 1,045.4 |
| Middle East | **154.0** | 170.7 |
| Australia and the Far East | **100.4** | 124.7 |
| Africa | **54.8** | 86.1 |
| | **3,141.8** | 4,158.7 |

The J.C.B. Service group companies are engaged in a single class of business: the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

## 6. Operating profit

Operating profit is stated after (crediting)/charging

| | 2020 £m | 2019 £m |
|---|---|---|
| Government grants | **(34.1)** | (7.7) |
| Reorganisation expense | **43.8** | - |
| Research and development expenditure | **82.8** | 104.4 |
| Hire of machinery and equipment | **9.1** | 9.4 |
| Foreign currency loss | **42.5** | 44.4 |
| Loss/(profit) on sale of fixed assets | **0.6** | (0.2) |
| Depreciation of tangible fixed assets (note 13) | **49.1** | 42.7 |
| Amortisation of goodwill (note 12) | **17.0** | 16.8 |

Government grants include income from the UK government's Coronavirus Job Retention Scheme and from the State Government of Rajasthan for investment in manufacturing facilities in the locality.

The reorganisation expense was incurred because of the Covid-19 pandemic. In July 2020, the group carried out a review of its business structure and completed a reorganisation to streamline operations and secure the group's long-term future.

**Services provided by the company's auditors:**
During the year the group (including its overseas subsidiaries but excluding associates) obtained the following services from the company's auditors and its associates:

| | 2020 £m | 2019 £m |
|---|---|---|
| Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements | **0.4** | 0.3 |
| Fees payable to the company's auditors and its associates for other services: | | |
| The audit of the company's subsidiaries | **1.5** | 1.3 |
| Audit-related assurance services | **0.1** | - |
| Tax-related services | **1.2** | 1.8 |
| Other | **-** | 0.2 |
| | **3.2** | 3.6 |

## 7. Particulars of employees

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number |
| Directors | **9** | 9 | **9** | 9 |
| Administration and service | **3,478** | 4,182 | **144** | 176 |
| Production | **6,811** | 6,861 | **223** | 262 |
| | **10,298** | 11,052 | **376** | 447 |

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 7. Particulars of employees (continued)

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Wages and salaries | **366.4** | 447.3 | **26.0** | 25.5 |
| Social security costs | **36.2** | 39.3 | **1.8** | 2.0 |
| Defined benefit pension cost | **27.9** | 19.1 | **-** | - |
| Defined contribution pension cost | **17.4** | 14.5 | **1.4** | 1.7 |
| | **447.9** | 520.2 | **29.2** | 29.2 |

**Key management compensation**

Key management includes the directors and members of senior management. The compensation paid or payable to key management personnel for employee services is shown below:

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Salaries and other benefits | **8.7** | 11.8 |

### 8. Directors' emoluments

The directors' emoluments for the year were as follows:

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Aggregate emoluments | **5.4** | 5.9 |

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

| | **2020** | 2019 |
|---|---|---|
| | **Number** | Number |
| Defined benefit | **1** | 1 |

The aggregate emoluments of the highest paid director (excluding pension contributions) were £2.5 million (2019: £2.5 million).

### 9. Interest payable and similar expenses

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Discounting charges | **10.7** | 18.3 |
| Interest payable on bank loans and overdrafts | **13.6** | 9.8 |
| Other | **0.1** | - |
| | **24.4** | 28.1 |

## 10. Tax on profit on ordinary activities

| Analysis of charge in the year | 2020 £m | 2019 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax charge | - | 4.1 |
| Adjustments in respect of prior year | (1.5) | (0.6) |
| UK corporation tax | (1.5) | 3.5 |
| Overseas tax charge | 76.9 | 80.3 |
| Adjustments in respect of prior year | 2.6 | (4.6) |
| Foreign tax | 79.5 | 75.7 |
| Share of associate's tax | 1.7 | 1.1 |
| Total current tax | 79.7 | 80.3 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (29.3) | (10.8) |
| Adjustments in respect of prior year | (4.1) | 10.1 |
| Total deferred tax | (33.4) | (0.7) |
| Total tax on profit | 46.3 | 79.6 |

**Factors affecting current year tax charge**

The tax assessed on the profit for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

| The differences are explained below: | 2020 £m | 2019 £m |
|---|---|---|
| Profit before taxation | 130.1 | 276.3 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%) | 24.7 | 52.5 |
| Expenses not deductible for tax purposes | 3.5 | 10.4 |
| Other permanent differences | (7.1) | (13.4) |
| Adjustment in respect of foreign tax rates on trading income | 21.5 | 22.1 |
| Tax on overseas distributions | 23.0 | 18.6 |
| Adjustments in respect of prior year | (2.9) | 4.9 |
| Recognition of previously unrecognised tax losses | (23.2) | (15.5) |
| Unrecognised deferred tax | 6.8 | - |
| Total tax for the year | 46.3 | 79.6 |

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £6.2 million (2019: £5.6 million).

**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. 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 was enacted at the balance sheet date and is therefore reflected in these financial statements.

On 3 March 2021 it was announced that the main rate would increase from 19% to 25% from 1 April 2023. This change has not been substantively enacted and therefore is not included in these financial statements. We expect that this will have a significant impact on the measurement of deferred tax balances once enacted.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 11. Dividends

**Group and Company**

| | **2020** | 2019 |
|---|---|---|
| | **£m** | £m |
| Equity dividends £nil per share (2019: £1,950.32 per share) | - | 95.0 |

### 12. Intangible fixed assets

| **Group** | **Goodwill £m** |
|---|---|
| **Cost** | |
| **As at 1 January 2020 and 31 December 2020** | **347.7** |
| | |
| **Accumulated amortisation** | |
| As at 1 January 2020 | 177.1 |
| Charge for the year | 17.0 |
| **As at 31 December 2020** | **194.1** |
| | |
| **Net book value at 31 December 2020** | **153.6** |
| Net book value at 31 December 2019 | 170.6 |

Amortisation is charged in administrative expenses.

### 13. Tangible fixed assets

| **Group** | **Land & Buildings £m** | **Plant & Machinery £m** | **Fixtures, Fittings & Equipment £m** | **Motor Vehicles £m** | **Assets in Course of Construction £m** | **Total £m** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2020 | 413.2 | 386.9 | 236.0 | 10.9 | 81.9 | 1,128.9 |
| Additions | 3.0 | 18.8 | 0.3 | 1.1 | 23.8 | 47.0 |
| Disposals | (26.0) | (10.0) | (5.3) | (1.1) | (1.2) | (43.6) |
| Reclassifications | 33.7 | 17.6 | 6.9 | - | (58.2) | - |
| Exchange adjustments | (8.8) | (7.8) | (1.8) | - | (1.1) | (19.5) |
| **As at 31 December 2020** | **415.1** | **405.5** | **236.1** | **10.9** | **45.2** | **1,112.8** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2020 | 104.0 | 280.9 | 159.4 | 8.3 | - | 552.6 |
| Charge for the year | 9.0 | 28.9 | 9.9 | 1.3 | - | 49.1 |
| Disposals | (3.4) | (6.8) | (2.5) | (1.1) | - | (13.8) |
| Exchange adjustments | (1.1) | (5.1) | (1.4) | - | - | (7.6) |
| **As at 31 December 2020** | **108.5** | **297.9** | **165.4** | **8.5** | **-** | **580.3** |
| | | | | | | |
| **Net book value at 31 December 2020** | **306.6** | **107.6** | **70.7** | **2.4** | **45.2** | **532.5** |
| Net book value at 31 December 2019 | 309.2 | 106.0 | 76.6 | 2.6 | 81.9 | 576.3 |

Included within land and buildings is freehold land of £42.7 million (2019: £37.8 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

## 13. Tangible fixed assets (continued)

**Capital commitments**

| | 2020 £m | 2019 £m |
|---|---|---|
| Contracted but not provided for in the financial statements | **24.6** | 20.1 |

| Company | Land & Buildings £m | Plant & Machinery £m | Fixtures, Fittings & Equipment £m | Assets in Course of Construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2020 | 20.6 | 3.5 | 12.9 | 1.4 | 38.4 |
| Additions | - | - | 1.6 | (1.4) | 0.2 |
| **As at 31 December 2020** | **20.6** | **3.5** | **14.5** | - | **38.6** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| As at 1 January 2020 | 6.0 | 3.3 | 8.9 | - | 18.2 |
| Charge for the year | 0.4 | 0.1 | 0.8 | - | 1.3 |
| **As at 31 December 2020** | **6.4** | **3.4** | **9.7** | - | **19.5** |
| | | | | | |
| **Net book value at 31 December 2020** | **14.2** | **0.1** | **4.8** | - | **19.1** |
| Net book value at 31 December 2019 | 14.6 | 0.2 | 4.0 | 1.4 | 20.2 |

Included within land and buildings is freehold land of £2.0 million (2019: £2.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

## 14. Investments

| | Group 2020 £m | Group 2019 £m | Company 2020 £m | Company 2019 £m |
|---|---|---|---|---|
| **Loans to group undertakings** | | | | |
| As at 1 January | - | - | **32.4** | 34.3 |
| Foreign exchange | - | - | **(4.3)** | (1.9) |
| **At 31 December** | - | - | **28.1** | 32.4 |
| | | | | |
| **Shares in group undertakings** | | | | |
| As at 1 January | - | - | **445.5** | 394.3 |
| Additions | - | - | **(0.3)** | 51.2 |
| Impairment | - | - | **(1.1)** | - |
| **At 31 December** | - | - | **444.1** | 445.5 |
| | | | | |
| **Total fixed asset investments** | - | - | **472.2** | 477.9 |

**Loans to group undertakings**
Loans to group undertakings represent loans made to JCB Vibromax GmbH. The loan is repayable on demand and the interest rate is floating at 1% above Euro Refi Rate, payable annually in arrears.

## 14. Investments (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| **Investment in associates** | | | | |
| At 1 January | **3.7** | 4.4 | - | - |
| Share of profit after taxation | **10.9** | 4.3 | - | - |
| Dividend | - | (5.0) | - | - |
| **At 31 December** | **14.6** | 3.7 | - | - |

The group has a 25% investment in the ordinary share capital of JCB Finance Limited, a company incorporated in the UK that provides instalment credit and leasing facilities and an investment in the ordinary share capital of JCB Finance Holdings Limited, a holding company incorporated in the UK that is a joint operation established between BNP Paribas Lease Group Plc (50.1%) and JCB Financial Solutions UK Limited (49.9%). The investments are accounted for using the equity method.

### Group undertakings

At 31 December 2020 the company directly has the following subsidiary companies. All equity holdings are in Ordinary shares. The Directors consider the value of investments to be supported by the underlying assets and future trading forecasts.

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| J C Bamford Excavators Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Earthmovers Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Cab Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Sales Limited | 100% | Sales and marketing | UK |
| JCB Transmissions | 100% | Transmissions manufacturer and sales | UK |
| JCB Accounting and Systems Ltd | 100% | Property investment company | UK |
| JCB Parts Ltd | 100% | Non-trading | UK |
| JCB Compact Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB do Brasil Ltda | 100% | Equipment manufacturer and sales | Brazil |
| JCB Vibromax GmbH | 100% | Equipment manufacturer and sales | Germany |
| JCB SpA | 100% | Equipment distributor | Italy |
| JCB Maquinaria SA | 100% | Services provider | Spain |
| JCB Sales Asia Pacific Pte Ltd | 100% | Equipment distributor | Singapore |
| JCB Kenya Services Limited | 100% | Services provider | Kenya |
| JCB Mini Excavators Limited | 100% | Non-trading | UK |
| JCB Special Products Limited | 100% | Non-trading | UK |
| JCB Attachments Limited | 100% | Non-trading | UK |
| JCB Argentina SRL | 100% | Services provider | Argentina |
| JCB Finance International Limited | 100% | Non-trading | UK |

## 14. Investments (continued)

Through its holding in the subsidiary companies listed above, the company also has an interest in:

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| JCB Australia Pty Ltd | 100% | Services provider | Australia |
| J C Bamford Investments | 100% | Investment trading | UK |
| JCB Benelux Ltd | 100% | Intermediate holding company | UK |
| JCB Insurance Services Limited | 100% | Insurance broker | UK |
| JCB Materials Handling Limited | 100% | Non-trading | UK |
| JCB Power Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Landpower Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Heavy Products Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Broadcrown Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Backhoe Loaders Ltd | 100% | Non-trading | UK |
| JCB Remarketing Limited | 100% | Non-trading | UK |
| JCB Defence Products Limited | 100% | Non-trading | UK |
| JCB North America Limited | 98% | Intermediate holding company | UK |
| A Bamford Trading Company Limited* | 100% | Non-trading | UK |
| JCB Drivetrain Systems Limited* | 100% | Non-trading | UK |
| JCB Equipment Limited | 100% | Non-trading | UK |
| JCB Golf and Country Club Limited | 100% | Golf and Leisure facilities | UK |
| L Gardner & Sons Limited | 100% | Non-trading | UK |
| JCB Management Services | 100% | Non-trading | UK |
| JCB Credit Limited | 100% | Non-trading | UK |
| JCB Financial Solutions UK Limited | 100% | Intermediate holding company | UK |
| JCB US Holdings Inc | 98% | Intermediate holding company | USA |
| JCB Inc | 98% | Equipment distributor | USA |
| JCB Manufacturing Inc | 98% | Equipment manufacturer and sales | USA |
| JCB Finance Company | 98% | Finance company | USA |
| North Georgia Construction LLC | 50% | Non-trading | USA |
| JCB Vibromax Inc | 100% | Non-trading | USA |
| JCB Dallas LLC | 98% | Equipment distributor | USA |
| JCB Houston LLC | 98% | Equipment distributor | USA |
| JCB Southern California LLC | 98% | Equipment distributor | USA |
| JCB Dallas Real Estate LLC | 98% | Real estate | USA |
| JCB Houston Real Estate LLC | 98% | Real estate | USA |
| JCB Southern California Real Estate LLC | 98% | Real estate | USA |
| JCB Belgium NV | 100% | Equipment distributor | Belgium |
| JCB Excavators Limited | 100% | Non-trading | Canada |
| JCB Europe SARL | 100% | Equipment marketing | France |
| JCB Ile de France SNC | 99.9% | Equipment distributor | France |
| JCB SAS | 99.9% | Services provider | France |
| Lyomat SAS | 99.9% | Equipment distributor | France |
| JCB Euroservices SARL | 100% | Services provider | France |
| JCB Deutschland GmbH | 99% | Services provider | Germany |
| JCB Vertrieb and Service GmbH | 99% | Equipment distributor | Germany |
| JCB India Limited | 100% | Equipment manufacturer and sales | India |
| JCB Industries Private Limited | 100% | Equipment manufacturer and sales | India |
| J.C.Bamford Investments Private Limited | 100% | Intermediate holding company | India |
| JCB Literature Foundation* | 100% | Charitable company | India |
| Lady Bamford Foundation* | 100% | Charitable company | India |
| JCB Power Products India Private Limited | 100% | Equipment manufacturer and sales | India |
| JC Bamford Myanmar Private Limited | 100% | Non-trading | Myanmar |
| JC Bamford NV | 100% | Equipment distributor | Netherlands |
| JCB Global Financial Solutions BV | 100% | Intermediate holding company | Netherlands |
| JCB Russia LLC | 100% | Equipment distributor | Russia |

The companies marked with an asterisk (*) are not consolidated because they are not material to the group. The registered addresses of these companies are included in note 30.

### 14. Investments (continued)

On 1 January 2020, the group disposed of its investments in JCB Farms Limited, Daylesford Organic Farms Limited, and Wootton Organic Wholesale Limited to Bamford Property Limited for cash consideration of £1. There was no profit or loss on disposal.

### 15. Stock

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Raw materials | **247.4** | 210.4 | **3.3** | 3.7 |
| Work in progress | **51.7** | 104.7 | **-** | - |
| Finished goods | **102.9** | 115.5 | **-** | - |
| Parts for resale | **98.8** | 99.7 | **73.7** | 76.9 |
| | **500.8** | 530.3 | **77.0** | 80.6 |

During the year group stock recognised as an expense in cost of sales was £1,970.4 million (2019: £2,565.8 million). The company recognised £193.4 million (2019: £210.4 million) of stock as an expense in cost of sales.

Group stocks are stated after provisions of £52.9 million (2019: £45.9 million). Company stocks are stated after provisions of £21.3 million (2019: £17.2 million).

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

### 16. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Trade debtors | **138.2** | 152.3 | **14.6** | 15.1 |
| Amounts owed by parent | **397.6** | - | **397.6** | - |
| Amounts owed by fellow subsidiaries of JCB Group Holdings Sàrl | **-** | 0.2 | **-** | - |
| Amounts owed by subsidiary undertakings | **-** | - | **60.0** | 326.7 |
| Amounts owed by related parties outside the J.C.B. Service Group | **268.9** | 197.2 | **4.3** | 4.9 |
| Corporation tax recoverable | **14.8** | 11.3 | **8.4** | 6.5 |
| Deferred tax | **141.9** | 106.8 | **0.3** | - |
| Other taxation and social security | **62.4** | 78.1 | **-** | 0.9 |
| Other debtors | **60.7** | 79.9 | **-** | 0.1 |
| Prepayments and accrued income | **13.1** | 29.6 | **1.8** | 1.9 |
| Derivative financial assets | **22.2** | 7.6 | **8.2** | 2.5 |
| | **1,119.8** | 663.0 | **495.2** | 358.6 |

Group and company trade debtors are stated net of amounts discounted without recourse of £194.3 million (2019: £237.2 million) and £14.1 million (2019: £14.4 million) respectively.

A bad debt provision of £4.8 million (2019: £4.5 million) has been recognised against group trade debtors, and £nil (2019: £nil) against company trade debtors. No other category of debtors is deemed to be impaired.

Of the amounts owed by subsidiary undertakings £18.2 million (2019: £26.6 million) are trading balances and do not gather interest. The remaining balance relates to loans which carry rates of interest between 1% and 4% (2019: 1% and 4%). All amounts owed by subsidiary undertakings and related parties outside the J.C.B. Service Group are repayable on demand.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

## 16. Debtors (continued)

### Deferred tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| As at 1 January | **52.4** | 54.8 | - | 1.2 |
| Deferred tax credit in profit and loss account | **30.9** | 0.3 | - | - |
| Deferred tax (charge)/credit to the statement of other comprehensive income | **(2.9)** | (3.5) | **0.3** | (1.2) |
| Deferred tax asset brought in on acquisitions | - | 2.3 | - | - |
| Currency adjustments | **(4.5)** | (1.5) | - | - |
| **As at 31 December** | **75.9** | 52.4 | **0.3** | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Excess of taxation allowances over depreciation on fixed assets | **(3.4)** | (2.3) | - | - |
| Tax losses available | **51.7** | 21.8 | - | - |
| Other timing differences | **27.6** | 32.9 | **0.3** | - |
| | **75.9** | 52.4 | **0.3** | - |

The movement in the deferred tax asset relating to pension schemes during the year was:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **£m** | £m |
| As at 1 January | **54.4** | 44.9 |
| Deferred tax credit in profit and loss account | **2.5** | 0.4 |
| Deferred tax charged to the statement of other comprehensive income: | | |
| - On remeasurement loss | **9.1** | 9.1 |
| **As at 31 December** | **66.0** | 54.4 |

The net reversal of group deferred tax expected to occur next year is £17.0 million (2019: £8.9 million), relating to the increase in short term timing differences offset by the utilisation of tax losses.

The total amount of unrecognised deferred tax is £6.6 million (2019: £27.2 million) relating to carried forward tax losses. An asset has not been recognised due to the uncertainty of the future profitability of the companies to which it relates. These losses do not expire and can be carried forward indefinitely.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 17. Current asset investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Other investments | **7.8** | 12.7 | - | - |

Other investments represent holdings of other UK equities traded in active markets, the valuation of which is based on quoted market prices at the balance sheet date. The quoted market price used to value current asset investments held by the group is the current bid price. A fair value loss on other investments of £7.4 million (2019: £1.4 million gain) has been recognised in the profit and loss account during the year.

### 18. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Bank loans and overdrafts | **2.0** | 1.6 | - | - |
| Trade creditors | **410.2** | 302.8 | **22.8** | 13.1 |
| Derivative financial instruments | **0.2** | 2.8 | - | 1.4 |
| Amounts owed to fellow subsidiaries of JCB Group Holdings Sàrl | - | 1.7 | - | 1.7 |
| Amounts owed to subsidiary undertakings | - | - | **137.0** | 62.8 |
| Amounts owed to other related parties outside J.C.B. Service Group | **31.2** | 25.7 | **10.7** | 15.1 |
| Corporation tax | **9.1** | 2.8 | - | - |
| Other taxation and social security | **30.6** | 19.7 | **0.6** | 0.5 |
| Pension costs | **9.5** | 13.4 | - | - |
| Other creditors | **58.4** | 65.8 | **0.9** | 7.1 |
| Sales incentives | **105.1** | 86.9 | **2.0** | 1.4 |
| Accruals and deferred income | **249.5** | 222.4 | **31.7** | 86.6 |
| | **905.8** | 745.6 | **205.7** | 189.7 |

The bank overdrafts are repayable on demand.

### 19. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£m** | £m | **£m** | £m |
| Senior loan notes | **195.2** | 195.2 | **195.2** | 195.2 |
| Other creditors | **1.2** | 1.2 | - | - |
| Deferred income | **20.9** | 16.3 | **20.9** | 16.3 |
| | **217.3** | 212.7 | **216.1** | 211.5 |

The group issued senior loan notes of £195.5 million principal on 26 July 2013. The loan notes mature on 26 July 2028 and interest is payable at a rate of 4.12%. The loan notes are stated net of capitalised arrangement fees of £0.3m (2019: £0.3m).

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 20. Provisions for liabilities

**Group**

| | **2020 Deferred tax £m** | **2020 Warranty provision £m** | **2020 Total £m** | 2019 Deferred tax £m | 2019 Warranty provision £m | 2019 Total £m |
|---|---|---|---|---|---|---|
| As at 1 January | **20.0** | **84.7** | **104.7** | 20.0 | 88.1 | 108.1 |
| Charged to the profit and loss account | - | **52.4** | **52.4** | - | 73.1 | 73.1 |
| Amounts utilised during the year | - | **(63.7)** | **(63.7)** | - | (76.5) | (76.5) |
| **As at 31 December** | **20.0** | 73.4 | **93.4** | 20.0 | 84.7 | 104.7 |

**Company**

| | **2020 Deferred tax £m** | **2020 Warranty provision £m** | **2020 Total £m** | 2019 Deferred tax £m | 2019 Warranty provision £m | 2019 Total £m |
|---|---|---|---|---|---|---|
| As at 1 January | **0.5** | **14.8** | **15.3** | - | 13.7 | 13.7 |
| Charged/(credited) to the profit and loss account | **(0.5)** | **17.0** | **18.7** | 0.5 | 31.0 | 31.5 |
| Amounts utilised during the year | - | **(23.3)** | **(25.5)** | - | (29.9) | (29.9) |
| **As at 31 December** | - | **8.5** | **8.5** | 0.5 | 14.8 | 15.3 |

The group deferred tax liability relates to unremitted retained earnings of overseas subsidiaries.

The company deferred tax liability relates to excess taxation allowances over depreciation and other timing differences.

It is expected that most warranty expenditure will be incurred in the next financial year, and the significant majority will be incurred within two years of the balance sheet date. Included in other debtors (note 16) is an amount totalling £17.0 million (2019: £30.6 million) (group), and £nil (2019: £nil) (company) representing amounts recoverable from suppliers.

The movements in the Group prior year comparatives have been re-classified to better align with the nature of the transactions.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 21. Pension scheme deficit

| **Pension schemes**<br>Defined benefit schemes with net assets (net of deferred tax) comprise: | **2020**<br>**£m** | 2019<br>£m |
|---|---|---|
| UK | **-** | - |

| Defined benefit schemes with net liabilities (net of deferred tax) comprise: | **2020**<br>**£m** | 2019<br>£m |
|---|---|---|
| UK | **279.5** | 241.9 |
| Overseas | **10.9** | 10.0 |
| | **290.4** | 251.9 |

**UK**

In the UK, pension arrangements are principally provided by two defined benefit schemes, J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit Scheme (Senior Directors). The most recent formal actuarial valuations were carried out as at 6 April 2018 and 1 January 2020 respectively (both updated to 31 December 2020) by Mercer, a qualified independent actuary.

**Overseas**

Four schemes provide pensions under defined benefit arrangements. A valuation of these schemes has been prepared by an independent, qualified actuary, as at 31 December 2020 using a methodology consistent with FRS 102.

The total amounts recognised in the balance sheet are as follows:

| | **2020**<br>**£m** | 2019<br>£m |
|---|---|---|
| Present value of funded obligations | **(1,332.5)** | (1,157.6) |
| Fair value of plan assets | **1,017.7** | 884.9 |
| | **(314.8)** | (272.7) |
| Effect of surplus cap | **(38.1)** | (33.6) |
| Pension scheme deficit | **(352.9)** | (306.3) |

The amounts recognised in the profit and loss account within operating profit are as follows:

| | **2020**<br>**£m** | 2019<br>£m |
|---|---|---|
| Current service cost & scheme administration costs | **22.3** | 23.7 |
| Interest cost | **24.9** | 29.7 |
| Interest income on plan assets | **(19.3)** | (23.3) |
| Net pension cost recognised in the profit and loss account | **27.9** | 30.1 |

The amounts recognised in the statement of comprehensive income are as follows:

| | **2020**<br>**£m** | 2019<br>£m |
|---|---|---|
| Remeasurement losses immediately recognised | **46.2** | 56.5 |
| Effect of surplus cap | **3.8** | (3.5) |
| Total pension losses recognised in the statement of comprehensive income | **50.0** | 53.0 |

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 21. Pension scheme deficit (continued)

Changes in the present value of the defined benefit obligations are as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| Benefit obligations at beginning of year | **1,157.6** | 995.3 |
| Current service cost | **24.8** | 22.6 |
| Past service cost | **(3.3)** | - |
| Interest cost | **24.9** | 29.7 |
| Plan participants' contributions | **4.3** | 4.7 |
| Remeasurement loss | **169.0** | 136.9 |
| Benefits paid | **(44.8)** | (28.7) |
| Insurance premiums for risk benefits | **(1.0)** | (1.8) |
| Exchange differences | **1.0** | (1.1) |
| Benefit obligations at end of year | **1,332.5** | 1,157.6 |

Changes in the fair value of the plan assets are as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| Fair value of plan assets at beginning of year | **884.9** | 767.3 |
| Interest income on plan assets | **19.3** | 23.3 |
| Remeasurement gains | **122.8** | 80.4 |
| Employer contributions | **32.1** | 40.0 |
| Member contributions | **4.3** | 4.7 |
| Benefits paid | **(44.8)** | (28.7) |
| Insurance premiums for risk benefits | **(1.0)** | (1.8) |
| Exchange differences | **0.1** | (0.3) |
| Fair value of plan assets at end of year | **1,017.7** | 884.9 |

Changes in the pension scheme deficit are as follows:

| | 2020 £m | 2019 £m |
|---|---|---|
| Pension scheme deficit at beginning of year | **306.3** | 264.0 |
| Current service cost | **24.8** | 22.6 |
| Past service cost | **(3.3)** | - |
| Interest cost | **24.9** | 29.7 |
| Interest income on plan assets | **(19.3)** | (23.3) |
| Remeasurement loss/(gains) | **46.2** | 56.5 |
| Employer contributions | **(32.1)** | (40.0) |
| Exchange differences | **0.9** | (0.8) |
| Effect of surplus cap | **4.5** | (2.4) |
| Pension scheme deficit at end of year | **352.9** | 306.3 |

### 21. Pension scheme deficit (continued)

The major categories of plan assets as percentages of total plan assets are as follows:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Equities | **40.1%** | 52.1% | **-** | 1.9% | **-** | - |
| Property | **5.2%** | 6.4% | **-** | - | **-** | - |
| Corporate Bonds | **14.4%** | 5.2% | **-** | - | **-** | - |
| Gilts | **39.7%** | 35.4% | **99.9%** | 98.0% | **-** | - |
| Other | **0.6%** | 0.9% | **0.1%** | 0.1% | **100.0%** | 100.0% |
| | **100.0%** | 100.0% | **100.0%** | 100.0% | **100.0%** | 100.0% |

Weighted average assumptions used to determine benefit obligations:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Discount rate | **1.50%** | 2.20% | **1.50%** | 2.20% | **1.10%** | 1.50% |
| Rate of salary increase | **2.90%** | 2.90% | **2.90%** | 2.90% | **2.75%** | 2.75% |
| Rate of price inflation (RPI) | **2.90%** | 2.90% | **2.90%** | 2.90% | **1.75%** | 1.75% |
| Rate of pension increases | **2.70%** | 2.75% | **2.70%** | 2.75% | **1.75%** | 1.75% |

Assumed life expectations on retirement at age 65:

| | JC Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Male member age 65 (current life expectancy) | **22.2** | 22.1 | **25.6** | 26.6 | **20.4-24.8** | 19.3-24.8 |
| Male member aged 45 (life expectancy at age 65) | **23.9** | 23.8 | **27.5** | 29.4 | **23.5-28.3** | 23.3-28.3 |
| Female member age 65 (current life expectancy) | **24.6** | 24.5 | **27.2** | 28.0 | **23.6-28.3** | 22.5-28.3 |
| Female member aged 45 (life expectancy at age 65) | **26.4** | 26.3 | **29.0** | 30.9 | **26.4-32.0** | 26.4-32.0 |

The group has considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Over the year to 31 December 2020 the group paid contributions of £31.6 million (2019: £39.1 million) to the J C Bamford Lifeplan scheme. The J C Bamford Lifeplan is closed to new entrants and as such the age profile of the active membership will increase over time. As a result, under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

## 21. Pension scheme deficit (continued)

Over the year to 31 December 2020 the group also paid contributions of £0.5 million (2019: £0.9 million) to the group's other defined benefit pension schemes.

Cumulative actuarial losses recognised in the Statement of Other Comprehensive Income, net of deferred tax, totalled £268.5 million at 31 December 2020 (2019: £228.0 million).

Defined benefit costs recognised in the profit and loss account are charged to administrative expenses.

## 22. Merger

In 2020 the assets and liabilities of Transmissions and Engineering Services Netherlands BV ("TESN") were merged with those of J.C.B. Service at book value under the principles of merger accounting. Immediately prior to the merger the 48,710 shares that were in issue were cancelled and new shares of an equivalent amount were issued to JCB Group Holdings Sàrl. Immediately following the issue of the shares, by way of a special resolution, the total amount standing to the credit of the share premium account and merger reserve of £436.8m was cancelled and extinguished and was converted into distributable reserves.

The net assets of the merged entities are as follows:

| | **Total £m** |
|---|---|
| Debtors | 401.5 |
| Cash | 5.9 |
| **Total assets** | **407.4** |
| Creditors: amounts falling due within one year | (2.3) |
| **Value of net assets** | **405.1** |

Prior to the merger J.C.B. Service was a wholly owned subsidiary of Transmissions and Engineering Services Netherlands BV ("TESN"), a company incorporated in the Netherlands. JCB Euroservices SARL and JCB Global Financial Solutions BV have been brought into the J.C.B. Service Group following the merger.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 23. Financial Instruments

| Group | Note | **2020 £m** | **2020 £m** | 2019 £m | 2019 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | **22.2** | | 7.6 | |
| - Current asset investments | 17 | **7.8** | | 12.7 | |
| | | | **30.0** | | 20.3 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **138.2** | | 152.3 | |
| - Amounts owed by parent | 16 | **397.6** | | - | |
| - Amounts owed by fellow subsidiaries of JCB Group Holdings Sàrl | 16 | **-** | | 0.2 | |
| - Amounts owed by related parties outside J.C.B. Service Group | 16 | **268.9** | | 197.2 | |
| - Other debtors | 16 | **60.7** | | 79.9 | |
| | | | **865.4** | | 429.6 |
| Financial assets constituting equity instruments measured at cost less impairment | 14 | | **14.6** | | 3.7 |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18 | | **0.2** | | 2.8 |
| Financial liabilities measured at amortised cost | | | | | |
| - Bank loans and overdrafts | 18 | **2.0** | | 1.6 | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **410.2** | | 302.8 | |
| - Amounts owed to fellow subsidiaries of JCB Group Holdings Sàrl | 18 | **-** | | 1.7 | |
| - Amounts owed to other related parties outside J.C.B. Service Group | 18 | **31.2** | | 25.7 | |
| - Other creditors and accruals | 18/19 | **323.5** | | 354.2 | |
| | | | **962.1** | | 881.2 |

## 23. Financial Instruments (continued)

| Company | Note | 2020 £m | 2020 £m | 2019 £m | 2019 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | | **8.2** | | 2.5 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **14.6** | | 15.1 | |
| - Amounts owed by parent | 16 | **397.6** | | - | |
| - Amounts owed by subsidiary undertakings | 16 | **60.0** | | 326.7 | |
| - Amounts owed by related parties outside J.C.B Service Group | 16 | **4.3** | | 4.9 | |
| - Other debtors | 16 | - | | 0.1 | |
| | | | **476.5** | | 346.8 |
| Financial assets constituting equity instruments measured at cost less impairment | | | - | | - |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18 | | - | | 1.4 |
| Financial liabilities measured at amortised cost | | | | | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **22.8** | | 13.1 | |
| - Amounts owed to fellow subsidiaries of JCB Group Holdings Sàrl | 18 | - | | 1.7 | |
| - Amounts owed to subsidiary undertakings | 18 | **137.0** | | 62.8 | |
| - Amounts owed to other related parties outside J.C.B. Service Group | 18 | **10.7** | | 15.1 | |
| - Other creditors and accruals | 18 | **22.1** | | 83.8 | |
| | | | **387.8** | | 371.7 |

Details of conditions pertaining to debt are disclosed in notes 18 and 19 of these financial statements.

**Derivative financial instruments**

The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain forecast foreign currency sales and receivables. At 31 December 2020, the outstanding contracts all mature within 21 months of the year end (2019: 23 months). The group is committed to sell $505.0 million and €10.0 million (2019: $470.0 million and €20.0 million) in exchange for pounds sterling.

The company is committed to sell $180 million and €nil (2019: $137.5 million and €nil) in exchange for pounds sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The net fair value of the forward-foreign currency contracts is an asset of £22.0 million (2019: £4.8 million asset) for the group and a net asset of £8.2 million (2019: £1.1 million asset) for the company.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 24. Called up share capital

| Group and Company | 2020 £ | 2019 £ |
|---|---|---|
| **Allotted, called up and fully paid up** | | |
| 48,710 Ordinary shares of £1 each (2019: 48,710 Ordinary shares of £1 each) | **48,710** | 48,710 |

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from winding up of the company. The shares are non-redeemable.

### 25. Reserves

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

Share premium account – includes premiums received on issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves – comprises a merger reserve and reserves designated for capital and other purposes including derivative financial instruments.

Profit and loss account – includes all current and prior year retained profits and losses.

### 26. Reconciliation of operating profit to operating cash flows

| | 2020 £m | 2019 £m |
|---|---|---|
| Operating profit | **140.7** | 290.3 |
| Depreciation | **49.1** | 42.7 |
| Amortisation of goodwill | **17.0** | 16.8 |
| (Profit)/loss on disposal of fixed assets | **(0.6)** | 0.2 |
| Difference between pension charge and cash contributions | **(3.4)** | (10.7) |
| Decrease/(increase) in fair value of current asset investments | **7.4** | (1.4) |
| Decrease in stock | **14.3** | 62.3 |
| (Increase)/decrease in debtors | **(18.4)** | 49.3 |
| Increase/(decrease) in creditors (including warranty provision) | **169.7** | (196.5) |
| Currency translation differences | **9.9** | 10.7 |
| **Net cash inflow from operating activities** | **385.7** | 263.7 |

### 27. Contingent liabilities

**Group**
Various companies within the group have a contingent liability in respect of guarantees and indemnities given by Barclays Bank plc, HSBC Bank plc and Lloyds Bank plc on their behalf. The group's liability in respect of these at 31 December 2020 was £22.7 million (2019: £52.1 million).

**Company**
The company has a contingent liability in relation to guarantees and indemnities given by Barclays Bank plc and HSBC Bank plc on its behalf. The company's liability in respect of these at 31 December 2020 was £13.5 million (2019: £38.7 million).

## 28. Related party transactions

The company has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A not to disclose details of transactions with entities that are wholly owned members of the group.

**Other related parties - Group**

The group subcontracts some of its research and development projects, and related management services, to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of services purchased by the group during the year was £41.2 million (2019: £99.1 million). The net amount owed by JCB Research to the group at 31 December 2020 was £92.2 million (2019: £68.5 million).

JCB Research is party to a jointly and severally liable pooled banking facility. At 31 December 2020 the group had an exposure of £346.2 million (2019: £307.6 million).

The group has transacted machines and parts with JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £3.7 million (2019: £5.6 million) and purchases of £37.2 million (2019: £51.7 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited at 31 December 2020 was £0.2 million (2019: £7.3 million owed to the group).

The group also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was sales of £0.9 million (2019: £0.9 million) and purchases of £87.6 million (2019: £131.7 million). The net amount owed to JCB Hong Kong Limited at 31 December 2020 was £19.7 million (2019: £21.9 million).

The group transacts business with BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders. The group purchased branded products and merchandise from and sold parts to the BHoldings Limited group of companies. The total value of these transactions was sales and recharges of £16.3 million (2019: £16.1 million). The group paid £3.3 million (2019: £3.3 million) as a promotional services fee to BHoldings Limited. The net amount owed to the group by the BHoldings Limited group of companies at 31 December 2020 was £16.4 million (2019: £7.0 million).

The group has loaned funds to and provided administrative services to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The total value of these transactions was sales and recharges of £7.7 million (2019: £6.1 million). The net amount owed to the group by JCB Access Limited at 31 December 2020 was £19.7 million (2019: £15.8 million).

The group has also provided administrative services to Thrip Enterprises LLP, a partnership in which Lady Bamford OBE is a partner. The total value of these services was £1.2 million (2019: £nil) and the amount owed to the group at 31 December 2020 was £0.8 million (2019: £1.0 million).

The group has incurred management and finance charges of £2.4 million (2019: £3.4 million) from JCB Finance SAS, a company that is jointly owned by BNP Paribas Lease Group SA and J.C.B. Service. The net amount owed to the group at 31 December 2020 by JCB Finance SAS was £2.0 million (2019: £0.6 million).

The group has incurred rental and other charges of £3.2 million (2019: £1.8 million) from Bamford Property Limited, a company ultimately controlled by Bamford family interests. The group recharged expenditure of £8.4 million (2019: £10.6 million) incurred on behalf of this company during the year. The net amount owed to the group at 31 December 2020 by Bamford Property Limited was £88.8 million (2019: £86.5 million).

The group has a receivable of £5.1 million (2019: £5.1 million) with B Uttoxeter Property Holdings Limited, a company ultimately controlled by Bamford family interests.

The group has a receivable of £nil (2019: £2.2 million) with B Cheadle Property Holdings Limited, a company ultimately controlled by Bamford family interests.

## 28. Related party transactions (continued)

**Other related parties – Group (continued)**
On 1 January 2020 the group disposed of its interest in JCB Farms Limited, Wootton Organic Wholesale Ltd and Daylesford Organic Farms Limited to Bamford Property Limited. The group recharged expenditure of £2.9 million incurred on behalf of this company during the year. The net amount owed to the group by these companies at 31 December 2020 was £34.4 million (2019: £30.9 million).

A donation of £0.8m was made to the Centre for Policy Studies (2019: £1.0m), of which The Lord Bamford DL is a director.

Details of emoluments paid to the directors are disclosed in note 8 of these financial statements.

**Other related parties – company**
The company subcontracts some of its management services to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of these transactions during the year was £nil (2019: £58.7 million). The net amount owed to JCB Research by the company at 31 December 2020 was £nil (2019: £nil).

The company has purchased parts from JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £0.2 million (2019: £0.2 million) and purchases of £0.1 million (2019: £0.1 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited by the company at 31 December 2020 by was £0.6 million (2019: £0.7 million).

The company also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £4.8 million (2019: £4.7 million). The net amount owed to JCB Hong Kong Limited at 31 December 2020 was £10.1 million (2019: £14.4 million).

The company has loaned funds to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The net amount owed to the company by JCB Access Limited at 31 December 2020 was £4.3 million (2019: £4.9 million).

Details of emoluments paid to the directors are disclosed in note 8 of these financial statements.

## 29. Ultimate controlling party

The company is a subsidiary of JCB Group Holdings Sàrl a company registered in Switzerland, registered address: Rue du Maupas 49, 1004 Lausanne, Switzerland. JCB Group Holdings Sàrl is the largest and smallest group which consolidates the financial statements of J.C.B. Service and is ultimately controlled by Bamford family interests.

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 30. Registered Addresses

The registered addresses of the subsidiary and associated undertakings are detailed below:

| Company | Registered address |
|---|---|
| J C Bamford Excavators Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford Investments | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Benelux Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Earthmovers Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Cab Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Insurance Services Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Materials Handling Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Sales Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Transmissions | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Landpower Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Heavy Products Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Backhoe Loaders Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Accounting and Systems Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Parts Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Remarketing Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Defence Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Financial Solutions UK Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Broadcrown Limited | Hixon Airfield Industrial Estate, Hixon, Stafford, England, ST18 0PF |
| JCB Power Products India Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Compact Products Limited | Harewood Estate, Leek Road, Cheadle, Stoke-on-Trent, ST10 2JU |
| JCB North America Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| A Bamford Trading Company Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Drivetrain Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Belgium NV | Nijverheidslaan, 1501, 3660, Opglabbeek, België |
| JCB do Brasil Ltda | Avenida Joseph Cyril Bamford, 3600 – Eden – Sorocaba- São Paulo, 18013-139 |
| JCB Excavators Limited | 145 King St. W. Ste 2701 Toronto, CA M5H 1J8 |
| JCB Europe SARL | 3, Rue du Vignolle, 95842, Sarcelles, France |
| JCB Ile de France SNC | 5, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB SAS | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| Lyomat SAS | Chemin De La Lone, 6 9491, Pierre-Bénite, France |
| JCB Euroservices SARL | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB Deutschland GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB Vertrieb and Service GmbH | Europaallee 113, 50226 Frechen, Germany |
| JCB Vibromax GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB India Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB SpA | Via Enrico Fermi, 16, 20090, Assago (Milan), Italy |
| J C Bamford NV | Zandweistraat, 16, 4181, CG Waardenburg, Netherlands |
| JCB Global Financial Solutions BV | Concertgebouwplein 5, 1071 LL Amsterdam |
| JCB Russia LLC | Russian Federation, 107045, Moscow, Trubnaya St, 12, Office 1A |
| JCB Maquinaria SA | C/Francisco Alonso, 11-B, 28806, Alcalá de Henares, Madrid, Spain |
| JCB Sales Asia Pacific Pte Ltd | No.50 Collyer Quay, #04-04 OUE Bayfront, Singapore 049321 |
| JCB US Holdings Inc | 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA |
| JCB Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Manufacturing Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Finance Company | 103 Foulk Road, Suite 202, Wilmington, DE 19803 |
| North Georgia Construction LLC | 2679 Barrett Lakes Blvd, Kennesaw Ga 30144, USA |
| JCB Kenya Services Limited | LR. 1/1228, Chaka Place, Argwings, Khodhek Road, P.O BOX 46971-00100, Kenya |
| JCB Australia Pty Ltd | Suite 16, 828 High Street, Kew East VIC 3102, Australia |
| JCB Mini Excavators Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Special Products Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |

# J.C.B. Service

## Notes to the financial statements for the year ended 31 December 2020 (continued)

### 30. Registered Addresses (continued)

| Company | Registered address |
|---|---|
| JCB Attachments Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Vibromax Inc | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Argentina SRL | Carlos Pellegrini 1135, 6th Floor, City of Buenos Aires, Argentina |
| JCB Finance International Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Equipment Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JC Bamford Myanmar Private Limited | 192 Kaba Aye Pagoda Road, Bahan Township, Yangon City, Myanmar |
| JCB Golf and Country Club Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Industries Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| L Gardner & Sons Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Management Services | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Credit Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| J C Bamford Investments Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Literature Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| Lady Bamford Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Dallas LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Dallas Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Finance Limited | The Mill, High Street, Rocester, Nr Uttoxeter, ST14 5JW |

# Audited Financials (2019)

# J.C.B. Service

# Directors' Report and Consolidated Financial Statements

# for the year ended 31 December 2019

**Registered number 00564955**

## J.C.B. Service

### Contents

# J.C.B. Service

## Directors and advisors

**Directors**
The Lord Bamford DL
Lady Bamford OBE (Appointed 12 July 2019)
G H A Bamford
J C E Bamford (Appointed 12 July 2019)
A C Bamford (Appointed 12 July 2019)
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

**Company secretary**
S E R Ovens

**Independent Auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 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

HSBC Bank plc
4th Floor
120 Edmund Street
Birmingham
B3 2QZ

National Westminster Bank plc
250 Bishopsgate
London
EC2M 4AA

Lloyds Bank plc
Ground Floor
10 Gresham Street
London
EC2V 7AE

Citibank NA
Canada Square
Canary Wharf
London
E14 5LB

ABC International Bank plc
1-5 Moorgate
London
EC2R 6AB

BNP Paribas Bank
10 Harewood Avenue
London
NW1 6AA

**Registered office**
Lakeside Works
Rocester
Uttoxeter
Staffs
ST14 5JP

**Registered number**
00564955

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

### Principal activities

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

### Review of the 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.

Group turnover of £4,158.7 million (2018: £4,118.8 million) was broadly in line with the prior year, whilst the number of units sold decreased by 2.5%. JCB Power Products Limited was acquired in February 2019 and contributed turnover of £47.2m in the year (see note 12). Operating profit for the year was £290.3 million (2018: £316.1 million). The Group continues to invest in research and development; more than 35 new products were launched in 2019 putting JCB in a strong position in the construction equipment market.

The group has a strong balance sheet and net cash is £418.8 million (2018: £504.8 million). The group generated operational cash of £174.7 million (2018: £227.4 million), invested £90.2 million (2018: £88.2 million) in capital assets and paid a dividend of £95.0 million (2018: £75.0 million).

### Going concern

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 J.C.B. Service is the cyclical nature of the industry as a whole which, in broad terms, tracks the global economic cycle. To manage this risk, J.C.B. Service addresses a spectrum of regional markets and product sectors, and operates an organisation and capital structure which is flexible and fast reacting to market conditions. Over its history, J.C.B. Service has grown in the good years and weathered the downturns, increasing the size of the business as each cycle progresses.

**Principal risks and uncertainties (continued)**
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.

The group 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 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 expects to reopen the majority of its factories in May 2020.

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

***Credit risk***
J.C.B. Service's principal financial assets are cash held on deposit with financial institutions and trade and other debtors. The credit risk is primarily attributable to its trade debtors with potential recoverability issues mitigated by credit insurance. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. J.C.B. Service has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

***Liquidity risk***
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, J.C.B. Service uses a mixture of short term facilities, invoice discounting, and senior loan notes. Adequate facilities are available to support the group's business for at least 12 months from the date of this report.

***Exchange rate risk***
As part of their normal operating activities, certain companies in the group hedge exchange rate exposure on foreign currency transactions, mainly those relating to sales, where a significant proportion thereof are invoiced in foreign currencies. It is the group's policy to reduce this exposure through the use of forward currency contracts. The aggregate fair value of forward currency contracts outstanding at 31 December 2019 was a net asset of £4.8 million (2018: liability of £15.7 million).

***Interest rate risk***
The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group manages the risk through a combination of fixed and floating rate facilities. Long-term borrowings include senior loan notes of £195.2 million (2018: £195.2 million), which attract a fixed interest rate, whilst interest payable on the bank loans and overdrafts is linked to LIBOR.

**Key performance indicators (KPIs)**
J.C.B. Service uses a range of financial and non-financial indicators to monitor performance.

Financial measures are turnover, operating profit and cash generated from operations:

| | 2019 £m | 2018 £m |
|---|---|---|
| Turnover | 4,158.7 | 4,118.8 |
| Operating profit | 290.3 | 316.1 |
| Net cash generated from operating activities | 174.7 | 227.4 |

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

**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 group 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 group should react to the Covid-19 outbreak.

***Suppliers and customers***
The group 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 group'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 group 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 group's supplier code of conduct, health and wellbeing policy and other documents are published on the group's website.

**On behalf of the board**

**The Lord Bamford DL**
Chairman
18 JUNE 2020

# J.C.B. Service

## Directors' report for the year ended 31 December 2019

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

**Future developments**
Details of anticipated future developments in the group's business have been provided in the strategic report on page 2.

**Dividends**
The directors approved and paid a dividend of £95.0 million during the year (2018: £75.0 million).

**Research and development**
The group continues to invest in product research and development with expenditure during the year of £104.4 million (2018: £93.4 million).

**Political donations**
The group made political donations to The Conservative Party of £2.8 million during the year (2018: £1.0 million).

**Statutory records**
The company is a privately held unlimited company which is incorporated in the UK and its company registration number is 00564955.

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

The Lord Bamford DL
Lady Bamford OBE (Appointed 12 July 2019)
G H A Bamford
J C E Bamford (Appointed 12 July 2019)
A C Bamford (Appointed 12 July 2019)
E T D Leadbeater
G A Macdonald
M W E Turner
R I Molson

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

**Corporate Governance**
The directors are collectively responsible for ensuring that they operate in a manner which best promotes the interests of the group with consideration to its wider group of stakeholders. Underpinning this responsibility is an appropriate Corporate Governance framework, specifically designed to meet the needs of JCB and is broadly in line with the Wates Principles. The framework ensures the values, strategy and culture of the group are communicated and followed.

***Purpose and leadership***
The group's mission is to grow by providing innovative, strong and high-performance products and solutions to meet the needs of global customers, supported by superior customer care. This care extends to the environment and the community. The group wants to help build a better future where hard work and dedication are given their just reward. These fundamental principles drive the governance of the group.

***Board composition***
The directors possess the required skills and experience to run the business. Executive directors that are appointed have demonstrated substantial experience working within the group. The directors comprise the Chairman, Chief Executive Officer,

executive directors and a non-executive director. The diversity of the board supports the group's values on gender equality. The directors meet on a regular basis, however additional meetings can be called as necessary to perform its functions.

***Director responsibilities***
The directors are responsible for the group's strategy, including the likely consequences of any decisions in the long term and the general conduct of the group's affairs. The directors review and oversee the group's policy in relation to employee remuneration (delegated to a remuneration committee); succession planning; risk management and internal control; safety and environmental matters; and regulatory compliance. A wider team of senior management is responsible for the operational management of the group with support and guidance from the directors. Clear written guidelines have been set outlining matters solely reserved for approval by the directors.

***Opportunity and risk***
The directors regularly review the strategies, opportunities and risks faced by the group. A group risk and control committee meets on a monthly basis to identify and monitor risks and these are communicated to senior management. The principal risks facing the group are set out in detail in the strategic report.

***Remuneration***
The directors ensure that remuneration for all employees is appropriate and fair. The directors have appointed a remuneration committee comprising certain directors and advisors that is responsible for senior directors pay and benefits. Remuneration is linked to the achievement of the group as well as personal performance. The directors are mindful of the gender pay gap and report on this annually on the group's website.

***Stakeholder relationships and engagement***
The directors acknowledge the need to encourage employee involvement in the improvement of the group's performance by supporting individual training and performance plans. Important information is supplied and feedback is obtained through regular consultation with employees. Regarding the local community, the group has a long-standing tradition of providing support through various means including sponsoring local schools, recreational facilities and other good causes. In addition, the group regularly meets with local government representatives to discuss and understand the likely consequences of any decisions. The group's statement on stakeholder engagement is set out below.

**Employee engagement**
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 employees when they assessed how the group should react to the Covid-19 outbreak.

The group 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 group.

**Stakeholder engagement**
The group 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 group'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 group's key performance indicators, business review, future prospects, principal risks and uncertainties, and financial risk management have been included within the group's Strategic Report on pages 2 and 3 of these financial statements.

**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 group and company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group and 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 group 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.

**On behalf of the board**

**The Lord Bamford DL**
Chairman

18 JUNE 2020

**Independent Auditors' report to the members of J.C.B. Service**

# Report on the audit of the financial statements

## Opinion

In our opinion, J.C.B. Service's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated profit and loss account, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements 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 group 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 group's and 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 group's and 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.

*Strategic Report and Directors' Report*

## Independent Auditors' report to the members of J.C.B. Service

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 group and company and their 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 set out on page 7, 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 group's and 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 group or 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 company 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 19 June 2020

# J.C.B. Service

## Consolidated profit and loss account for the year ended 31 December 2019

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **£m** | £m |
| Turnover | 5 | **4,158.7** | 4,118.8 |
| Cost of sales | | **(3,324.7)** | (3,259.3) |
| **Gross profit** | | **834.0** | 859.5 |
| Distribution costs | | **(199.0)** | (185.5) |
| Administrative expenses | | **(344.7)** | (357.9) |
| **Operating profit** | 6 | **290.3** | 316.1 |
| Share of associate's profit before tax | | **5.5** | 6.1 |
| Interest receivable and similar income | | **8.6** | 13.4 |
| Interest payable and similar expenses | 9 | **(28.1)** | (25.2) |
| **Profit before taxation** | | **276.3** | 310.4 |
| Tax on profit | 10 | **(79.6)** | (125.4) |
| **Profit for the financial year** | | **196.7** | 185.0 |

The company has taken advantage of Section 408 (1) of the Companies Act 2006 not to publish its own profit and loss account. The company's profit for the financial year was £22.2 million (2018: £nil).

All activities are derived from continuing operations.

## Consolidated statement of comprehensive income for the year ended 31 December 2019

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **£m** | £m |
| Profit for the financial year | | **196.7** | 185.0 |
| Foreign exchange adjustments | | **(27.8)** | (19.9) |
| Change in value of hedging instruments | | | |
| Gains/(loss) arising during the year | | **31.9** | (35.9) |
| Re-classified to profit of loss | | **(11.4)** | 11.0 |
| Movement on deferred tax relating to hedging instruments | | **(3.5)** | 4.2 |
| Re-measurement of pension liability | 21 | **(53.0)** | 43.7 |
| Movement on deferred tax relating to pension liability | | **9.1** | (7.3) |
| **Other comprehensive expense** | | **(54.7)** | (4.2) |
| **Total comprehensive income for the year** | | **142.0** | 180.8 |

# J.C.B. Service

## Consolidated balance sheet as at 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | **170.6** | 127.4 |
| Tangible assets | 13 | **576.3** | 525.1 |
| Investments | 14 | **3.7** | 4.4 |
| | | **750.6** | 656.9 |
| **Current assets** | | | |
| Stock | 15 | **530.3** | 598.3 |
| Debtors | 16 | **663.0** | 727.6 |
| Investments | 17 | **12.7** | 11.3 |
| Cash at bank and in hand | | **615.6** | 700.2 |
| | | **1,821.6** | 2,037.4 |
| **Creditors – amounts falling due within one year** | 18 | **(745.6)** | (949.3) |
| **Net current assets** | | **1,076.0** | 1,088.1 |
| **Total assets less current liabilities** | | **1,826.6** | 1,745.0 |
| Creditors: amounts falling due after more than one year | 19 | **(212.7)** | (217.0) |
| Provisions for liabilities | 20 | **(104.7)** | (108.1) |
| Pension scheme deficit | 21 | **(306.3)** | (264.0) |
| **Net assets** | | **1,202.9** | 1,155.9 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | - | - |
| Share premium account | 24 | **31.7** | 31.7 |
| Other reserves | 24 | **43.1** | 26.1 |
| Profit and loss account | 24 | **1,128.1** | 1,098.1 |
| **Total equity** | | **1,202.9** | 1,155.9 |

The financial statements on pages 10 to 44 were approved by the board of directors on 18 JUNE 2020 and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

# J.C.B. Service

## Company balance sheet as at 31 December 2019

| | Note | 2019 £m | 2018 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 13 | **20.2** | 20.9 |
| Investments | 14 | **477.9** | 428.6 |
| | | **498.1** | 449.5 |
| **Current assets** | | | |
| Stock | 15 | **80.6** | 82.3 |
| Debtors | 16 | **358.6** | 387.2 |
| Cash at bank and in hand | | **16.3** | 113.4 |
| | | **455.5** | 582.9 |
| **Creditors – amounts falling due within one year** | 18 | **(189.7)** | (202.9) |
| **Net current assets** | | **265.8** | 380.0 |
| **Total assets less current liabilities** | | **763.9** | 829.5 |
| Creditors: amounts falling due after more than one year | 19 | **(211.5)** | (213.9) |
| Provisions for liabilities | 20 | **(15.3)** | (13.7) |
| **Net assets** | | **537.1** | 601.9 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | **-** | - |
| Share premium account | 24 | **31.7** | 31.7 |
| Other reserves | 24 | **0.9** | (7.1) |
| Profit and loss account brought forward | | **577.3** | 652.3 |
| Profit for the year | | **22.2** | - |
| Dividends paid | | **(95.0)** | (75.0) |
| Profit and loss account | 24 | **504.5** | 577.3 |
| **Total equity** | | **537.1** | 601.9 |

The financial statements on pages 10 to 44 were approved by the board of directors on 18 JUNE 2020 and were signed on its behalf by:

**The Lord Bamford DL**
Chairman

**Company registration number: 00564955**

# J.C.B. Service

## Consolidated statement of cash flows for the year ended 31 December 2019

| | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | | **263.7** | | 330.7 |
| Taxation paid | | | **(89.0)** | | (103.3) |
| **Net cash generated from operating activities** | | | **174.7** | | 227.4 |
| **Cash flow from investing activities** | | | | | |
| Purchase of tangible assets | | **(90.2)** | | (88.2) | |
| Proceeds from sale of tangible assets | | **2.8** | | 2.4 | |
| Interest received | | **8.6** | | 13.4 | |
| Dividends received from associate | | **5.0** | | 5.0 | |
| Acquisition of subsidiaries (net of cash acquired) | | **(51.8)** | | 0.3 | |
| **Net cash used in investing activities** | | | **(125.6)** | | (67.1) |
| **Cash flow from financing activities** | | | | | |
| Repayment of loan payable | | - | | (95.0) | |
| Dividends paid to shareholders | | **(95.0)** | | (75.0) | |
| Interest paid | | **(28.1)** | | (25.2) | |
| **Net cash used in financing activities** | | | **(123.1)** | | (195.2) |
| **Net decrease in cash and cash equivalents** | | | **(74.0)** | | (34.9) |
| **Cash and cash equivalents at the beginning of the year** | | | **700.0** | | 734.2 |
| **Foreign exchange translation adjustment** | | | **(12.0)** | | 0.7 |
| **Cash and cash equivalents at the end of the year** | | | **614.0** | | 700.0 |

| **Cash and cash equivalents consists of:** | | | |
|---|---|---|---|
| Cash at bank and in hand | | **615.6** | 700.2 |
| Overdrafts | 18 | **(1.6)** | (0.2) |
| **Cash and cash equivalents** | | **614.0** | 700.0 |
| Net debt due after one year | 19 | **(195.2)** | (195.2) |
| **Net cash** | | **418.8** | 504.8 |

# J.C.B. Service

## Consolidated statement of changes in equity for the year ended 31 December 2019

| | Called-up share capital | Share premium | Other reserves | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Balance as at 1 January 2018** | **-** | **31.7** | **46.8** | **971.6** | **1,050.1** |
| Profit for the financial year | - | - | - | 185.0 | 185.0 |
| Other comprehensive (expense)/income for the year | - | - | (20.7) | 16.5 | (4.2) |
| **Total comprehensive (expense)/income for the year** | **-** | **-** | **(20.7)** | **201.5** | **180.8** |
| Dividends paid | - | - | - | (75.0) | (75.0) |
| **Balance as at 31 December 2018** | **-** | **31.7** | **26.1** | **1,098.1** | **1,155.9** |
| Profit for the financial year | - | - | - | 196.7 | 196.7 |
| Other comprehensive income/(expense) for the year | - | - | 17.0 | (71.7) | (54.7) |
| **Total comprehensive income for the year** | **-** | **-** | **17.0** | **125.0** | **142.0** |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| **Balance as at 31 December 2019** | **-** | **31.7** | **43.1** | **1,128.1** | **1,202.9** |

## Company statement of changes in equity for the year ended 31 December 2019

| | Called-up share capital | Share premium | Other reserves | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Balance as at 1 January 2018** | **-** | **31.7** | **1.4** | **652.3** | **685.4** |
| Profit for the financial year | - | - | - | - | - |
| Other comprehensive expense for the year | - | - | (8.5) | - | (8.5) |
| **Total comprehensive expense for the year** | **-** | **-** | **(8.5)** | **-** | **(8.5)** |
| Dividends paid | - | - | - | (75.0) | (75.0) |
| **Balance as at 31 December 2018** | **-** | **31.7** | **(7.1)** | **577.3** | **601.9** |
| Profit for the financial year | - | - | - | 22.2 | 22.2 |
| Other comprehensive income for the year | - | - | 8.0 | - | 8.0 |
| **Total comprehensive income for the year** | **-** | **-** | **8.0** | **22.2** | **30.2** |
| Dividends paid | - | - | - | (95.0) | (95.0) |
| **Balance as at 31 December 2019** | **-** | **31.7** | **0.9** | **504.5** | **537.1** |

## 1. General information

The principal activity of J.C.B. Service and its subsidiaries (together the 'group') is the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling and agricultural machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

The company is incorporated and domiciled in England, UK. The address of its registered office is Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP.

## 2. Statement of compliance

The consolidated financial statements of J.C.B. Service 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 satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial statements of J.C.B. Service which are included within this Annual Report. The company has taken advantage of the disclosure exemptions set out in paragraph 1.12 of FRS 102 specifically in relation to the company not preparing its own cash flow statement and the disclosure of transactions between companies within the same group.

In addition, the company has taken the exemption available in paragraph 408 (1) of the Companies Act 2006 to not disclose its own profit and loss account. The profit recorded by the company in the year ended 31 December 2019 totalled £22.2 million (2018: £nil).

## 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, and in accordance with the Companies Act 2006 as modified for 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

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.

### (a) Going concern (continued)

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) Basis of consolidation and accounting for other investments

*Subsidiaries*

The consolidated financial statements incorporate the financial statements of J.C.B. Service and entities controlled by J.C.B. Service (its subsidiaries) made up to the reporting date each year. Control is achieved where J.C.B. Service has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any negative goodwill that arises where the fair value of the group's interest in the identifiable assets and liabilities acquired of a subsidiary undertaking exceeds the fair value of the consideration given is recognised in the balance sheet and is credited to the profit and loss account in the period in which the non-monetary assets are recovered.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the group.

All intra-group balances and transactions are eliminated on consolidation and all unrealised gains on transactions between group companies are eliminated on consolidation.

*Associates*

Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

The group's share in associates' post-acquisition profits or losses is recognised in the profit and loss account.

Unrealised gains on transactions between group companies and transactions between the group and its associates are eliminated to the extent of the group's interest in each associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### (c) Foreign currency

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

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments, net assets of overseas subsidiaries including long term funding balances with those subsidiaries and from the translation of the profits or losses at average rates are recognised in other comprehensive income.

## 3. Summary of significant accounting policies (continued)

### (d) Turnover recognition

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

The group recognises turnover from sales of products when significant risk and rewards have been transferred to external parties, 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 and when the outcome of contracts 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.

### (e) Employee benefits

The group operates several defined benefit pension schemes for the benefit of its employees both in the UK and in certain overseas locations, the assets of which are held separately from those of the group in independently administered funds.

The fair value of pension scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability as determined by an independent actuary. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The interest income and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest and are calculated based on the discount rate. Curtailment gains are recognised in the profit and loss account. Remeasurement gains and losses are recognised in other comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The group also operates a number of defined contribution pension schemes. The assets of these schemes are held in separately administered funds from the group. The pension charge represents contributions payable by the group to the funds.

### (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 sufficient taxable profits from which the future reversal of the timing differences can be deducted.

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

The deferred tax assets and liabilities are not discounted.

## 3. Summary of significant accounting policies (continued)

### (g) Intangible assets - Goodwill

Goodwill on consolidation, representing the excess of the cost of shares in subsidiaries over their net assets at the date of acquisition, is amortised to the profit and loss account on a straight line basis over its estimated useful economic life which is no more than 20 years.

Annually, the group assesses whether there are any indicators that the carrying amount of goodwill and other tangible assets may be impaired. Where indicators of impairment are identified, the group performs an impairment test to determine the recoverable amount of goodwill and other tangible assets. In assessing recoverable amount the group looks at the higher of the asset's value in use and its fair value less cost to sell. Where the recoverable amount is less than the asset's carrying amount, an impairment is recognised which is charged to the profit and loss account. For tangible assets where the factors that gave rise to the impairment have reversed, and the recoverable amount is determined to exceed the carrying amount, the impairment is reversed, such as to bring the asset back to the value it would have been carried at prior to the impairment charge being recognised, to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior periods.

### (h) Tangible fixed assets

The cost of fixed 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 | 1 - 5% |
| Leasehold land and buildings | Shorter of lease period and 50 years |
| Plant and machinery | 10 - 33.33% |
| Fixtures, fittings and equipment | 4 - 33.33% |
| Motor vehicles | 20 - 25% |

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

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

### (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 group'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, with amounts recoverable from suppliers included within other debtors. Deferred income in relation to extended warranty contracts is included within creditors and released to revenue over the life of the policy. Warranty associated costs are taken to cost of sales.

Where the costs associated with extended warranty contracts are forecast to exceed the income derived from those contracts the contracts are deemed to be onerous. Where warranty contracts are determined to be onerous, provision is made in full for all future costs expected to be incurred in excess of the income to be derived from those contracts.

## 3. Summary of significant accounting policies (continued)

### (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) Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions and the grants will be received. FRS 102 allows for government grants to be accounted for under either the performance or accruals model. The group applies either the performance or accruals model to different classes of government grants with each class of grant being accounted for under a consistent model. In determining whether grants represent different classes the issuing body, country of issue, performance conditions and specific terms are considered to determine whether grants should be treated as separate classes of grant.

Grants accounted for using the performance model recognise the entire amount of the grant when performance conditions are met. Where performance conditions are not met in full at the year end, the grant is taken to deferred income and released to the profit and loss account when the remaining performance conditions are met.

Grants accounted for using the accruals model recognise the amount of the grant over the period the associated costs are incurred. Where grants relate to capital expenditure items, grant income will be recognised over the same useful life over which the capital items are being depreciated. Where grant income relates to employee or other costs the grant income will be recognised in line with the proportion of costs incurred in any one financial period. Where amounts are received in excess of that which can be recognised in a financial period the excess amount is taken to deferred income and is released in subsequent periods. Grants that become receivable under the accruals model in respect of capital expenditure already depreciated or employee or other costs already incurred shall be recognised as income in the period they become receivable.

### (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) Finance costs

Finance costs incurred in securing the group's financing arrangements are capitalised and amortised over the term of the associated debt. Interest and other finance costs are charged to the profit and loss account as incurred.

### (q) 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.

### (r) Dividends

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

## 3. Summary of significant accounting policies (continued)

### (s) Financial instruments

The group 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 group 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.

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

*(iii) Derivatives*
The Group enters into certain foreign exchange forward contracts to manage its cash flow exposure over certain transactions undertaken in currencies other than the functional currency. These foreign exchange forward contracts are put in place to manage the risk of highly probable future forecast transactions.

The Group applies hedge accounting to certain transactions entered to manage the foreign exchange risk. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair

## 3. Summary of significant accounting policies (continued)

*(iii) Derivatives (continued)*
value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged instrument is derecognised or the hedging instrument is terminated.

*(iv) 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 the liability simultaneously.

## 4. Critical accounting judgements and estimation uncertainty

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

**Critical accounting estimates and assumptions**

The company and group make 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 13 for the carrying amount of the tangible assets, and note 3(g) 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. See note 12 for the carrying amount of intangible assets.

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 group considers the recoverability of the cost of stock and makes an estimate of 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 15 for the net carrying amount of the stock and associated provision.

**(c) Impairment of debtors**

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

## 4. Critical accounting judgements and estimation uncertainty (continued)

### (d) Defined benefit pension scheme

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management employs actuaries to estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

### (e) Warranty provision

The group considers the future cost of warranty claims and makes and estimate of 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, known performance issues and supplier recoveries. See note 20 for the warranty movement and year end provision.

### (f) Sales incentive provision

Under certain conditions the group 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.

### (g) Taxation

Transactions may occur during the normal course of business where the final tax determination is uncertain. Where such transactions occur, the group recognises liabilities for these transactions based on the likelihood that an additional liability will arise and an estimate of any additional tax that may become payable. In estimating the value of any uncertain tax positions, the group exercises judgement based on past experience and previous legal interpretations. Any differences between the estimated and actual tax liabilities are recognised in the financial statements in the year in which the uncertain position becomes known.

In the case of deferred tax arising on the unremitted earnings of the Group's overseas subsidiaries, provision is made for the amount that is expected to be settled, based on management's judgement as to the probable amount of repatriation to the UK in the foreseeable future.

## 5. Turnover

An analysis of turnover by geographical market is given below:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| United Kingdom | **667.8** | 699.1 |
| Europe | **1,187.2** | 1,131.8 |
| The Americas | **876.8** | 765.6 |
| India | **1,045.4** | 1,125.4 |
| Middle East | **170.7** | 168.0 |
| Australia and the Far East | **124.7** | 134.2 |
| Africa | **86.1** | 94.7 |
| | **4,158.7** | 4,118.8 |

The J.C.B. Service group companies are engaged in a single class of business: the design, manufacture, marketing and sale of a comprehensive range of excavating, earthmoving, materials handling, agricultural and industrial machines and the provision of after sales service and supply of parts for those machines, in construction, agriculture and industrial markets.

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

## 6. Operating profit

Operating profit is stated after (crediting)/charging

| | 2019 £m | 2018 £m |
|---|---|---|
| Government grants | **(7.7)** | - |
| Research and development expenditure | **104.4** | 93.4 |
| Hire of machinery and equipment | **9.4** | 8.9 |
| Foreign currency loss | **44.4** | 25.3 |
| Profit on sale of fixed assets | **0.2** | (0.6) |
| Depreciation of tangible fixed assets (note 13) | **42.7** | 39.8 |
| Amortisation of goodwill (note 12) | **16.8** | 14.3 |

**Services provided by the company's auditors:**
During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditors and its associates:

| | 2019 £m | 2018 £m |
|---|---|---|
| Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements | **0.3** | 0.3 |
| Fees payable to the company's auditors and its associates for other services: | | |
| The audit of the company's subsidiaries | **1.3** | 1.0 |
| Audit-related assurance services | **-** | - |
| Tax related services | **1.8** | 2.9 |
| Other | **0.2** | 0.4 |
| | **3.6** | 4.6 |

## 7. Particulars of employees

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 Number** | 2018 Number | **2019 Number** | 2018 Number |
| Directors | **9** | 6 | **9** | 6 |
| Administration and service | **4,182** | 3,921 | **176** | 178 |
| Production | **6,861** | 6,703 | **262** | 204 |
| | **11,052** | 10,630 | **447** | 388 |

The aggregate payroll costs of these persons were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 £m** | 2018 £m | **2019 £m** | 2018 £m |
| Wages and salaries | **447.3** | 400.2 | **25.5** | 25.7 |
| Social security costs | **39.3** | 39.3 | **2.0** | 2.2 |
| Defined benefit pension cost | **19.1** | 21.1 | **-** | - |
| Defined contribution pension cost | **14.5** | 13.4 | **1.7** | 1.7 |
| | **520.2** | 474.0 | **29.2** | 29.6 |

## 7. Particulars of employees (continued)

**Key management compensation**
Key management includes the directors and members of senior management. The compensation paid or payable to key management personnel for employee services is shown below:

| | 2019 £m | 2018 £m |
|---|---|---|
| Salaries and other benefits | **11.8** | 12.6 |

## 8. Directors' emoluments

The directors' emoluments for the year were as follows:

| | 2019 £m | 2018 £m |
|---|---|---|
| Aggregate emoluments | **5.9** | 5.5 |

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

| | 2019 Number | 2018 Number |
|---|---|---|
| Defined benefit | **1** | 1 |

The aggregate emoluments of the highest paid director (excluding pension contributions) were £2.5 million (2018: £2.9 million).

## 9. Interest payable and similar expenses

| | 2019 £m | 2018 £m |
|---|---|---|
| Discounting charges | **18.3** | 16.1 |
| Interest payable on bank loans and overdrafts | **9.8** | 9.1 |
| | **28.1** | 25.2 |

### 10. Tax on profit on ordinary activities

| **Analysis of charge in the year** | **2019 £m** | 2018 £m |
|---|---|---|
| **Current tax** | | |
| UK corporation tax charge | **4.1** | 16.0 |
| Adjustments in respect of prior year | **(0.6)** | 2.7 |
| UK corporation tax | **3.5** | 18.7 |
| Overseas tax charge | **80.3** | 91.7 |
| Adjustments in respect of prior year | **(4.6)** | 7.8 |
| Foreign tax | **75.7** | 99.5 |
| Share of associate's tax | **1.1** | 1.2 |
| Total current tax | **80.3** | 119.4 |
| | | |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(10.8)** | 12.0 |
| Adjustments in respect of prior year | **10.1** | (6.0) |
| Total deferred tax | **(0.7)** | 6.0 |
| Total tax on profit | **79.6** | 125.4 |

**Factors affecting current year tax charge**

The tax assessed on the profit for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

| The differences are explained below: | **2019 £m** | 2018 £m |
|---|---|---|
| Profit before taxation | **276.3** | 310.4 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | **52.5** | 59.0 |
| Expenses not deductible for tax purposes | **10.4** | 6.7 |
| Other permanent differences | **(13.4)** | (15.8) |
| Adjustment in respect of foreign tax rates on trading income | **22.1** | 30.6 |
| Tax on overseas distributions | **18.6** | 41.2 |
| Adjustments in respect of prior year | **4.9** | 2.5 |
| Recognition of previously unrecognised tax losses | **(15.5)** | 2.8 |
| Unrecognised temporary differences | **-** | (1.6) |
| Total tax for the year | **79.6** | 125.4 |

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a credit of £5.6 million (2018: £3.1 million charge).

**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.

### 11. Dividend

**Group and Company**

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Equity dividends £1,950.32 per share (2018: £1,539.72 per share) | **95.0** | 75.0 |

### 12. Intangible fixed assets

| **Group** | **Goodwill £m** |
|---|---|
| **Cost** | |
| As at 1 January 2019 | 287.7 |
| Additions | 60.0 |
| **As at 31 December 2019** | **347.7** |
| **Accumulated amortisation** | |
| As at 1 January 2019 | 160.3 |
| Charge for the year | 16.8 |
| **As at 31 December 2019** | **177.1** |
| **Net book value at 31 December 2019** | **170.6** |
| Net book value at 31 December 2018 | 127.4 |

On 4 February 2019, the group acquired 100% of the issued share capital of JCB Power Products Limited for total cash consideration of £51,000,000 from BHoldings Limited (which is a related party), and has been accounted for using the acquisition method. The net liabilities acquired and the subsequent fair values and contingent liabilities are as follows:

| | **Book Value** | **Fair value adjustment** | **Total** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Tangible fixed assets | 0.2 | - | 0.2 |
| Stock | 8.0 | - | 8.0 |
| Debtors | 31.4 | (2.0) | 29.4 |
| Cash | 0.2 | - | 0.2 |
| **Total assets** | **39.8** | **(2.0)** | **37.8** |
| Creditors: amounts falling due within one year | (42.1) | (0.7) | (42.8) |
| Creditors: amounts falling due after one year | (1.6) | - | (1.6) |
| Provisions and contingent liabilities | (0.4) | (1.1) | (1.5) |
| **Fair value of liabilities acquired** | **(4.3)** | **(3.8)** | **(8.1)** |
| Cash consideration | | | 51.0 |
| Acquisition costs | | | 0.2 |
| | | | **51.2** |
| Goodwill on acquisition | | | **59.3** |

Included within the group's consolidated profit and loss account is revenue of £47.2 million and loss before tax of £5.0 million relating to JCB Power Products Limited since the acquisition date. Management's best estimate of the useful economic life of the generated goodwill, having considered the nature of the acquired business, is 20 years and is being amortised over this period. The accounting policies of JCB Power Products Limited have been aligned to those of the Group. During the year, the group also acquired the trade and assets of Yale/Chase Equipment and Services Inc. generating goodwill of £0.7m which is being amortised over 10 years.

Amortisation is charged in administrative expenses.

## 13. Tangible fixed assets

| Group | Land & Buildings £m | Plant & Machinery £m | Fixtures, Fittings & Equipment £m | Motor Vehicles £m | Assets in Course of Construction £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2019 | 370.2 | 356.1 | 222.9 | 12.5 | 88.1 | 1,049.8 |
| Additions | 50.3 | 19.4 | 10.0 | 0.6 | 31.4 | 111.7 |
| Acquisition of subsidiary | 0.1 | 0.1 | - | - | - | 0.2 |
| Disposals | (2.2) | (4.5) | (1.2) | (2.1) | (0.2) | (10.2) |
| Reclassifications | 4.9 | 23.8 | 6.5 | - | (35.2) | - |
| Exchange adjustments | (10.1) | (8.0) | (2.2) | (0.1) | (2.2) | (22.6) |
| **As at 31 December 2019** | **413.2** | **386.9** | **236.0** | **10.9** | **81.9** | **1,128.9** |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2019 | 99.7 | 268.2 | 149.0 | 7.8 | - | 524.7 |
| Charge for the year | 6.9 | 21.1 | 13.3 | 1.4 | - | 42.7 |
| Disposals | (0.7) | (3.1) | (1.2) | (0.8) | - | (5.8) |
| Exchange adjustments | (1.9) | (5.3) | (1.7) | (0.1) | - | (9.0) |
| **As at 31 December 2019** | **104.0** | **280.9** | **159.4** | **8.3** | **-** | **552.6** |
| **Net book value at 31 December 2019** | **309.2** | **106.0** | **76.6** | **2.6** | **81.9** | **576.3** |
| Net book value at 31 December 2018 | 270.5 | 87.9 | 73.9 | 4.7 | 88.1 | 525.1 |

Included within land and buildings is freehold land of £37.8 million (2018: £36.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

**Capital commitments**

| | **2019 £m** | 2018 £m |
|---|---|---|
| Contracted but not provided for in the financial statements | **20.1** | 44.9 |

| Company | Land & Buildings £m | Plant & Machinery £m | Fixtures, Fittings & Equipment £m | Assets in Course of Construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2019 | 20.6 | 3.5 | 12.5 | 1.4 | 38.0 |
| Additions | - | - | 0.4 | - | 0.4 |
| **As at 31 December 2019** | **20.6** | **3.5** | **12.9** | **1.4** | **38.4** |
| **Accumulated Depreciation** | | | | | |
| As at 1 January 2019 | 5.7 | 3.2 | 8.2 | - | 17.1 |
| Charge for the year | 0.3 | 0.1 | 0.7 | - | 1.1 |
| **As at 31 December 2019** | **6.0** | **3.3** | **8.9** | **-** | **18.2** |
| **Net book value at 31 December 2019** | **14.6** | **0.2** | **4.0** | **1.4** | **20.2** |
| Net book value at 31 December 2018 | 14.9 | 0.3 | 4.3 | 1.4 | 20.9 |

Included within land and buildings is freehold land of £2.0 million (2018: £2.0 million) that is not depreciated.

Depreciation is charged in cost of sales, distribution costs and administrative expenses.

## 14. Investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| **Loans to group undertakings** | | | | |
| As at 1 January | - | - | **34.3** | 35.3 |
| Additions | - | - | - | 0.4 |
| Repayment | - | - | - | (1.7) |
| Foreign exchange | - | - | **(1.9)** | 0.3 |
| **At 31 December** | - | - | **32.4** | 34.3 |
| **Shares in group undertakings** | | | | |
| As at 1 January | - | - | **394.3** | 344.3 |
| Additions | - | - | **51.2** | 50.0 |
| **At 31 December** | - | - | **445.5** | 394.3 |
| **Total fixed asset investments** | - | - | **477.9** | 428.6 |

**Loans to group undertakings**
Loans to group undertakings represent loans made to JCB Vibromax GmbH. The loan is repayable on demand and the interest rate is floating at 1% above Euro Refi Rate, payable annually in arrears.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| **Investment in associates** | | | | |
| At 1 January | **4.4** | 4.5 | - | - |
| Share of profit after taxation | **4.3** | 4.9 | - | - |
| Dividend | **(5.0)** | (5.0) | - | - |
| **At 31 December** | **3.7** | 4.4 | - | - |

The group has a 25% investment in the ordinary share capital of JCB Finance Limited, a company incorporated in the UK that provides instalment credit and leasing facilities. The group's share of JCB Finance Limited's results, assets and liabilities is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Turnover | **21.9** | 20.9 |
| Profit after taxation | **4.3** | 4.9 |
| Total assets | **252.9** | 235.9 |
| Total liabilities | **(247.4)** | (228.6) |

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

## 14. Investments (continued)

**Group undertakings**

At 31 December 2019 the company directly has the following subsidiary companies. All equity holdings are in Ordinary shares. The Directors consider the value of investments to be supported by the underlying assets and future trading forecasts.

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| J C Bamford Excavators Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Earthmovers Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Cab Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Sales Limited | 100% | Sales and marketing | UK |
| JCB Transmissions | 100% | Transmissions manufacturer and sales | UK |
| JCB Accounting and Systems Ltd | 100% | Property investment company | UK |
| JCB Parts Ltd | 100% | Non-trading | UK |
| JCB Compact Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Limited | 100% | Equipment manufacturer and sales | UK |
| JCB do Brasil Ltda | 100% | Equipment manufacturer and sales | Brazil |
| JCB Vibromax GmbH | 100% | Equipment manufacturer and sales | Germany |
| JCB SpA | 100% | Equipment distributor | Italy |
| JCB Maquinaria SA | 100% | Services provider | Spain |
| JCB Sales Asia Pacific Pte Ltd | 100% | Equipment distributor | Singapore |
| JCB Kenya Services Limited | 100% | Services provider | Kenya |
| JCB Mini Excavators Limited | 100% | Non-trading | UK |
| JCB Special Products Limited | 100% | Non-trading | UK |
| JCB Attachments Limited | 100% | Non-trading | UK |
| JCB Argentina SRL | 100% | Services provider | Argentina |
| JCB Finance International Limited | 100% | Non-trading | UK |

Through its holding in the subsidiary companies listed above, the company also has an interest in:

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| JCB Australia Pty Ltd | 100% | Services provider | Australia |
| J C Bamford Investments | 100% | Investment trading | UK |
| JCB Benelux Ltd | 100% | Intermediate holding company | UK |
| JCB Insurance Services Limited | 100% | Insurance broker | UK |
| JCB Materials Handling Limited | 100% | Non-trading | UK |
| JCB Power Systems Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Landpower Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Heavy Products Ltd | 100% | Equipment manufacturer and sales | UK |
| JCB Power Products Broadcrown Limited | 100% | Equipment manufacturer and sales | UK |
| JCB Farms Limited | 100% | Farming | UK |
| Wootton Organic Wholesale Ltd | 100% | Farming | UK |
| JCB Backhoe Loaders Ltd | 100% | Non-trading | UK |
| JCB Remarketing Limited | 100% | Non-trading | UK |
| JCB Defence Products Limited | 100% | Non-trading | UK |
| JCB North America Limited | 98% | Intermediate holding company | UK |
| A Bamford Trading Company Limited* | 100% | Non-trading | UK |
| JCB Drivetrain Systems Limited* | 100% | Non-trading | UK |
| Daylesford Organic Farms Limited | 100% | Farming | UK |
| JCB Equipment Limited | 100% | Non-trading | UK |
| JCB Golf and Country Club Limited | 100% | Golf and Leisure facilities | UK |
| L Gardner & Sons Limited | 100% | Non-trading | UK |
| JCB Management Services | 100% | Non-trading | UK |
| JCB Credit Limited | 100% | Non-trading | UK |
| JCB US Holdings Inc | 98% | Intermediate holding company | USA |
| JCB Inc | 98% | Equipment distributor | USA |
| JCB Manufacturing Inc | 98% | Equipment manufacturer and sales | USA |
| JCB Finance Company | 98% | Finance company | USA |

### 14. Investments (continued)

| | Equity held | Principal business | Country of Incorporation |
|---|---|---|---|
| North Georgia Construction LLC | 50% | Non-trading | USA |
| JCB Vibromax Inc | 100% | Non-trading | USA |
| JCB Dallas LLC | 98% | Equipment distributor | USA |
| JCB Houston LLC | 98% | Equipment distributor | USA |
| JCB Southern California LLC | 98% | Equipment distributor | USA |
| JCB Dallas Real Estate LLC | 98% | Real estate | USA |
| JCB Houston Real Estate LLC | 98% | Real estate | USA |
| JCB Southern California Real Estate LLC | 98% | Real estate | USA |
| JCB Belgium NV | 100% | Equipment distributor | Belgium |
| JCB Excavators Limited | 100% | Non-trading | Canada |
| JCB Europe SARL | 100% | Equipment marketing | France |
| JCB Ile de France SNC | 99.9% | Equipment distributor | France |
| JCB SAS | 99.9% | Services provider | France |
| Lyomat SAS | 99.9% | Equipment distributor | France |
| JCB Deutschland GmbH | 99% | Services provider | Germany |
| JCB Vertrieb and Service GmbH | 99% | Equipment distributor | Germany |
| JCB India Limited | 100% | Equipment manufacturer and sales | India |
| JCB Industries Private Limited | 100% | Equipment manufacturer and sales | India |
| J.C.Bamford Investments Private Limited | 100% | Intermediate holding company | India |
| JCB Literature Foundation* | 100% | Charitable company | India |
| Lady Bamford Foundation* | 100% | Charitable company | India |
| JCB Power Products India Private Limited | 100% | Equipment manufacturer and sales | India |
| JC Bamford Myanmar Private Limited | 100% | Non-trading | Myanmar |
| JC Bamford NV | 100% | Equipment distributor | Netherlands |
| JCB Russia LLC | 100% | Equipment distributor | Russia |

The companies marked with an asterisk (*) are not consolidated on the grounds that they are not material to the group.

The registered addresses of these companies are included in note 30.

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

### 15. Stock

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Raw materials | **210.4** | 262.5 | **3.7** | 3.7 |
| Work in progress | **104.7** | 86.6 | **-** | - |
| Finished goods | **115.5** | 147.4 | **-** | - |
| Parts for resale | **99.7** | 101.8 | **76.9** | 78.6 |
| | **530.3** | 598.3 | **80.6** | 82.3 |

During the year group stock recognised as an expense in cost of sales was £2,565.8 million (2018: £2,521.0 million). The company recognised £210.4 million (2018: £220.0 million) of stock as an expense in cost of sales.

Group stocks are stated after provisions of £45.9 million (2018: £43.2 million). Company stocks are stated after provisions of £17.2 million (2018: £15.1 million).

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

### 16. Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Trade debtors | **152.3** | 178.7 | **15.1** | 13.0 |
| Amounts owed by fellow subsidiaries of the TESN Group | **0.2** | 0.3 | - | - |
| Amounts owed by subsidiary undertakings | **-** | - | **326.7** | 349.5 |
| Amounts owed by related parties outside the J.C.B. Service group | **197.2** | 230.1 | **4.9** | 14.0 |
| Corporation tax recoverable | **11.3** | 7.8 | **6.5** | 6.2 |
| Deferred tax | **106.8** | 99.7 | **-** | 1.2 |
| Other taxation and social security | **78.1** | 74.8 | **0.9** | 1.5 |
| Other debtors | **79.9** | 101.2 | **0.1** | 0.1 |
| Prepayments and accrued income | **29.6** | 35.0 | **1.9** | 1.7 |
| Derivative financial assets | **7.6** | - | **2.5** | - |
| | **663.0** | 727.6 | **358.6** | 387.2 |

Group and company trade debtors are stated net of amounts discounted without recourse of £237.2 million (2018: £294.0 million) and £14.4 million (2018: £14.5 million) respectively.

A bad debt provision of £4.5 million (2018: £3.2 million) has been recognised against group trade debtors, and £nil (2018: £nil) against company trade debtors. No other category of debtors is deemed to be impaired.

Of the amounts owed by subsidiary undertakings £26.6 million (2018: £44.8 million) are trading balances and do not gather interest. The remaining balance relates to loans which carry rates of interest between 1% and 4% (2018: 1% and 1.75%).

## 16. Debtors (continued)

### Deferred tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| As at 1 January | **54.8** | 39.3 | **1.2** | (0.5) |
| Deferred tax credit in profit and loss account | **0.3** | 10.5 | **-** | - |
| Deferred tax (charge)/credit to the statement of other comprehensive income | **(3.5)** | 4.2 | **(1.2)** | 1.7 |
| Deferred tax asset brought in on acquisitions | **2.3** | - | **-** | - |
| Currency adjustments | **(1.5)** | 0.8 | **-** | - |
| **As at 31 December** | **52.4** | 54.8 | **-** | 1.2 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Excess of taxation allowances over depreciation on fixed assets | **(2.3)** | (3.1) | **-** | (0.1) |
| Tax losses available | **21.8** | 13.7 | **-** | - |
| Other timing differences | **32.9** | 44.2 | **-** | 1.3 |
| | **52.4** | 54.8 | **-** | 1.2 |

The movement in the deferred tax asset relating to pension schemes during the year was:

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **£m** | £m |
| As at 1 January | **44.9** | 48.7 |
| Deferred tax credit in profit and loss account | **0.4** | 3.5 |
| Deferred tax charged to the statement of other comprehensive income: | | |
| - On remeasurement loss/(gain) | **9.1** | (7.3) |
| **As at 31 December** | **54.4** | 44.9 |

The net reversal of group deferred tax expected to occur next year is £8.9 million (2018: £3.8 million), relating to the increase in short term timing differences offset by the utilisation of tax losses.

The total amount of unrecognised deferred tax is £27.2 million (2018: £44.2 million) relating to carried forward tax losses. An asset has not been recognised due to the uncertainty of the future profitability of the companies to which it relates. Unrecognised deferred tax relating to losses of £21.0 million (2018: £33.0 million) begin to expire in 2026 (2018: 2023). Other losses do not expire and can be carried forward indefinitely.

### 17. Current asset investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Other investments | **12.7** | 11.3 | **-** | - |

Other investments represent holdings of other UK equities traded in active markets, the valuation of which is based on quoted market prices at the balance sheet date. The quoted market price used to value current asset investments held by the Group is the current bid price. A fair value gain on other investments of £1.4 million (2018: £0.5 million loss) has been recognised in the profit and loss account during the year.

### 18. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Bank loans and overdrafts | **1.6** | 0.2 | **-** | - |
| Trade creditors | **302.8** | 441.4 | **13.1** | 23.5 |
| Derivative financial instruments | **2.8** | 12.1 | **1.4** | 6.8 |
| Amounts owed to fellow subsidiaries of the TESN Group | **1.7** | 2.4 | **1.7** | 2.4 |
| Amounts owed to subsidiary undertakings | **-** | - | **62.8** | 67.7 |
| Amounts owed to other related parties outside J.C.B. Service group | **25.7** | 32.0 | **15.1** | 2.3 |
| Corporation tax | **2.8** | 9.2 | **-** | - |
| Other taxation and social security | **19.7** | 22.2 | **0.5** | 0.6 |
| Pension costs | **13.4** | 10.4 | **-** | - |
| Other creditors | **65.8** | 66.5 | **7.1** | 0.5 |
| Sales incentives | **86.9** | 91.5 | **1.4** | 2.3 |
| Accruals and deferred income | **222.4** | 261.4 | **86.6** | 96.8 |
| | **745.6** | 949.3 | **189.7** | 202.9 |

The prior year comparatives have been re-classified to better align with the nature of the transactions.

The bank overdrafts are repayable on demand.

## 19. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **£m** | £m | **£m** | £m |
| Senior loan notes | **195.2** | 195.2 | **195.2** | 195.2 |
| Other creditors | **1.2** | 1.2 | **-** | - |
| Derivative financial instruments | **-** | 3.6 | **-** | 1.7 |
| Deferred income | **16.3** | 17.0 | **16.3** | 17.0 |
| | **212.7** | 217.0 | **211.5** | 213.9 |

The group issued senior loan notes of £195.5 million principal on 26 July 2013. The loan notes mature on 26 July 2028 and interest is payable at a rate of 4.12%. The loan notes are stated net of capitalised arrangement fees of £0.3m (2018: £0.3m).

## 20. Provisions for liabilities

### Group

| | **2019 Deferred tax** | **2019 Warranty provision** | **2019 Total** | 2018 Deferred tax | 2018 Warranty provision | 2018 Total |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | £m | £m | £m |
| As at 1 January | **20.0** | **88.1** | **108.1** | - | 62.1 | 62.1 |
| Charged to the profit and loss account | **-** | **98.6** | **98.6** | 20.0 | 122.1 | 142.1 |
| Amounts utilised during the year | **-** | **(102.0)** | **(102.0)** | - | (96.1) | (96.1) |
| **As at 31 December** | **20.0** | **84.7** | **104.7** | 20.0 | 88.1 | 108.1 |

### Company

| | **2019 Deferred tax** | **2019 Warranty provision** | **2019 Total** | 2018 Deferred tax | 2018 Warranty provision | 2018 Total |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | £m | £m | £m |
| As at 1 January | **-** | **13.7** | **13.7** | 0.5 | 13.0 | 13.5 |
| Charged/(credited) to the profit and loss account | **0.5** | **31.0** | **31.5** | (0.5) | 29.0 | 28.5 |
| Amounts utilised during the year | **-** | **(29.9)** | **(29.9)** | - | (28.3) | (28.3) |
| **As at 31 December** | **0.5** | **14.8** | **15.3** | - | 13.7 | 13.7 |

The group deferred tax liability relates to unremitted retained earnings of overseas subsidiaries.

The company deferred tax liability relates to excess taxation allowances over depreciation and other timing differences.

It is expected that most warranty expenditure will be incurred in the next financial year, and the significant majority will be incurred within two years of the balance sheet date. Included in other debtors (note 16) is an amount totalling £30.6 million (2018: £32.9 million) (group), and £nil (2018: £nil) (company) representing amounts recoverable from suppliers.

### 21. Pension scheme deficit

| **Pension schemes**<br>Defined benefit schemes with net assets (net of deferred tax) comprise: | **2019**<br>**£m** | 2018<br>£m |
|---|---|---|
| UK | **-** | - |

| Defined benefit schemes with net liabilities (net of deferred tax) comprise: | **2019**<br>**£m** | 2018<br>£m |
|---|---|---|
| UK | **241.9** | 207.6 |
| Overseas | **10.0** | 11.5 |
| | **251.9** | 219.1 |

**UK**

In the UK, pension arrangements are principally provided by two defined benefit schemes, J C Bamford Lifeplan and J C Bamford Excavators Limited Senior Directors and Executives Retirement Benefit Scheme (Senior Directors). The most recent formal actuarial valuations were carried out as at 6 April 2018 and 1 January 2017 respectively (both updated to 31 December 2019) by Mercer, a qualified independent actuary.

**Overseas**

Four schemes provide pensions under defined benefit arrangements. A valuation of these schemes has been prepared by an independent, qualified actuary, as at 31 December 2019 using a methodology consistent with FRS 102.

The total amounts recognised in the balance sheet are as follows:

| | **2019**<br>**£m** | 2018<br>£m |
|---|---|---|
| Present value of funded obligations | **(1,157.6)** | (995.3) |
| Fair value of plan assets | **884.9** | 767.3 |
| | **(272.7)** | (228.0) |
| Effect of surplus cap | **(33.6)** | (36.0) |
| Pension scheme deficit | **(306.3)** | (264.0) |

The amounts recognised in the profit and loss account within operating profit are as follows:

| | **2019**<br>**£m** | 2018<br>£m |
|---|---|---|
| Current service cost & scheme administration costs | **23.7** | 23.6 |
| Past service cost* | **-** | 6.8 |
| Interest cost | **29.7** | 27.8 |
| Interest income on plan assets | **(23.3)** | (21.3) |
| Net pension cost recognised in the profit and loss account | **30.1** | 36.9 |

*The past service cost relates to Guaranteed Minimum Pension

The amounts recognised in the statement of comprehensive income are as follows:

| | **2019**<br>**£m** | 2018<br>£m |
|---|---|---|
| Remeasurement losses/(gains) immediately recognised | **56.5** | (43.3) |
| Effect of surplus cap | **(3.5)** | (0.4) |
| Total pension losses/(gains) recognised in the statement of comprehensive income | **53.0** | (43.7) |

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

### 21. Pension scheme deficit (continued)

Changes in the present value of the defined benefit obligations are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Benefit obligations at beginning of year | **995.3** | 1,045.3 |
| Current service cost | **22.6** | 22.8 |
| Past service cost | **-** | 6.8 |
| Interest cost | **29.7** | 27.8 |
| Plan participants' contributions | **4.7** | 4.7 |
| Remeasurement loss/(gains) | **136.9** | (80.6) |
| Benefits paid | **(28.7)** | (30.7) |
| Insurance premiums for risk benefits | **(1.8)** | (1.0) |
| Exchange differences | **(1.1)** | 0.2 |
| Benefit obligations at end of year | **1,157.6** | 995.3 |

Changes in the fair value of the plan assets are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Fair value of plan assets at beginning of year | **767.3** | 794.7 |
| Interest income on plan assets | **23.3** | 21.3 |
| Remeasurement gains/(loss) | **80.4** | (37.3) |
| Employer contributions | **40.0** | 15.5 |
| Member contributions | **4.7** | 4.7 |
| Benefits paid | **(28.7)** | (30.7) |
| Insurance premiums for risk benefits | **(1.8)** | (1.0) |
| Exchange differences | **(0.3)** | 0.1 |
| Fair value of plan assets at end of year | **884.9** | 767.3 |

Changes in the pension scheme deficit are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **£m** | £m |
| Pension scheme deficit at beginning of year | **264.0** | 286.1 |
| Current service cost | **22.6** | 22.8 |
| Past service cost | **-** | 6.8 |
| Interest cost | **29.7** | 27.8 |
| Interest income on plan assets | **(23.3)** | (21.3) |
| Remeasurement loss/(gains) | **56.5** | (43.3) |
| Employer contributions | **(40.0)** | (15.5) |
| Exchange differences | **(0.8)** | 0.1 |
| Effect of surplus cap | **(2.4)** | 0.5 |
| Pension scheme deficit at end of year | **306.3** | 264.0 |

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

### 21. Pension scheme deficit (continued)

The major categories of plan assets as percentages of total plan assets are as follows:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Equities | **52.1%** | 53.1% | **1.9%** | 4.1% | - | - |
| Property | **6.4%** | 7.9% | - | - | - | - |
| Corporate Bonds | **5.2%** | 5.1% | - | - | - | - |
| Gilts | **35.4%** | 33.8% | **98.0%** | 95.8% | - | - |
| Other | **0.9%** | 0.1% | **0.1%** | 0.1% | **100.0%** | 100.0% |
| | **100.0%** | 100.0% | **100.0%** | 100.0% | **100.0%** | 100.0% |

Weighted average assumptions used to determine benefit obligations:

| | J C Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Discount rate | **2.20%** | 3.00% | **2.20%** | 3.00% | **1.50%** | 2.25% |
| Rate of salary increase | **2.90%** | 3.10% | **2.90%** | 3.10% | **2.75%** | 2.75% |
| Rate of price inflation (RPI) | **2.90%** | 3.10% | **2.90%** | 3.10% | **1.75%** | 1.75% |
| Rate of pension increases | **2.75%** | 2.95% | **2.75%** | 2.95% | **1.75%** | 1.75% |

Assumed life expectations on retirement at age 65:

| | JC Bamford Lifeplan | | Senior Directors | | Overseas | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Male member age 65 (current life expectancy) | **22.1** | 22.1 | **26.6** | 26.6 | **19.3-24.8** | 20.0-24.8 |
| Male member aged 45 (life expectancy at age 65) | **23.8** | 23.7 | **29.4** | 29.2 | **23.3-28.3** | 23.5-28.3 |
| Female member age 65 (current life expectancy) | **24.5** | 24.5 | **28.0** | 28.0 | **22.5-28.3** | 23.6-28.3 |
| Female member aged 45 (life expectancy at age 65) | **26.3** | 26.2 | **30.9** | 30.8 | **26.4-32.0** | 26.4-32.0 |

The group has considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class.

Over the year to 31 December 2019 the group paid contributions of £39.1 million (2018: £14.3 million) to the J C Bamford Lifeplan scheme. Over 2020 the group expects to contribute at least 25% of members' pensionable salary plus at least £17.0 million additional contributions. The J C Bamford Lifeplan is closed to new entrants and as such the age profile of the active membership will increase over time. As a result, under the projected unit method, the current service cost will increase as members of the scheme approach retirement.

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

### 21. Pension scheme deficit (continued)

Over the year to 31 December 2019 the group also paid contributions of £0.9 million (2018: £1.2 million) to the group's other defined benefit pension schemes.

Cumulative actuarial losses recognised in the Statement of Other Comprehensive Income, net of deferred tax, totalled £228.0 million at 31 December 2019 (2018: £184.1 million).

Defined benefit costs recognised in the profit and loss account are charged to administrative expenses.

### 22. Financial Instruments

| Group | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | **7.6** | | - | |
| - Current asset investments | 17 | **12.7** | | 11.3 | |
| | | | **20.3** | | 11.3 |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **152.3** | | 178.7 | |
| - Amounts owed by fellow subsidiaries of the TESN group | 16 | **0.2** | | 0.3 | |
| - Amounts owed by related parties outside J.C.B. Service group | 16 | **197.2** | | 230.1 | |
| - Other debtors | 16 | **79.9** | | 101.2 | |
| | | | **429.6** | | 510.3 |
| Financial assets constituting equity instruments measured at cost less impairment | | | **3.7** | | 4.4 |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | **2.8** | | 15.7 |
| Financial liabilities measured at amortised cost | | | | | |
| - Bank loans and overdrafts | 18 | **1.6** | | 0.2 | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **302.8** | | 441.4 | |
| - Amounts owed to fellow subsidiaries of the TESN group | 18 | **1.7** | | 2.4 | |
| - Amounts owed to other related parties outside J.C.B. Service group | 18 | **25.7** | | 32.0 | |
| - Other creditors and accruals | | **354.2** | | 403.5 | |
| | | | **881.2** | | 1,074.7 |

### 22. Financial Instruments (continued)

| Company | Note | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | |
| - Derivative financial instruments | 16 | | **2.5** | | - |
| Financial assets constituting debt instruments measured at amortised cost | | | | | |
| - Trade debtors | 16 | **15.1** | | 13.0 | |
| - Amounts owed by subsidiary undertakings | 16 | **326.7** | | 349.5 | |
| - Amounts owed by related parties outside J.C.B Service group | 16 | **4.9** | | 14.0 | |
| - Other debtors | 16 | **0.1** | | 0.1 | |
| | | | **346.8** | | 376.6 |
| Financial assets constituting equity instruments measured at cost less impairment | | | - | | - |
| Financial liabilities measured at fair value through profit and loss | | | | | |
| - Derivative financial instruments | 18/19 | | **1.4** | | 8.5 |
| Financial liabilities measured at amortised cost | | | | | |
| - Senior loan notes | 19 | **195.2** | | 195.2 | |
| - Trade creditors | 18 | **13.1** | | 23.5 | |
| - Amounts owed to fellow subsidiaries of the TESN group | 18 | **1.7** | | 2.4 | |
| - Amounts owed to subsidiary undertakings | 18 | **62.8** | | 67.7 | |
| - Amounts owed to other related parties outside J.C.B. Service group | 18 | **15.1** | | 2.3 | |
| - Other creditors and accruals | 18 | **83.8** | | 99.7 | |
| | | | **371.7** | | 390.8 |

Details of conditions pertaining to debt are disclosed in notes 18 and 19 of these financial statements.

**Derivative financial instruments**
The group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain forecast foreign currency sales and receivables. At 31 December 2019, the outstanding contracts all mature within 23 months of the year end (2018: 20 months). The group is committed to sell $470.0 million and €20.0 million (2018: $442.5 million and €35.0 million) in exchange for pounds sterling.

The company is committed to sell $137.5 million and €nil (2018: $182.5 million and €35.0 million) in exchange for pounds sterling.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The net fair value of the forward-foreign currency contracts is an asset of £4.8 million (2018: £15.7 million liability) for the group and a net asset of £1.1 million (2018: £8.5 million liability) for the company.

## 23. Called up share capital

| **Group and Company** | **2019** **£** | 2018 £ |
|---|---|---|
| **Allotted, called up and fully paid up** | | |
| 48,710 Ordinary shares of £1 each (2018: 48,710 Ordinary shares of £1 each) | **48,710** | 48,710 |

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from winding up of the company. The shares are non-redeemable.

## 24. Reserves

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

Share premium account – includes premiums received on issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves - comprises reserves designated for capital and other purposes including derivative financial instruments.

Profit and loss account – includes all current and prior year retained profits and losses.

## 25. Reconciliation of operating profit to operating cash flows

| | **2019** **£m** | 2018 £m |
|---|---|---|
| Operating profit | **290.3** | 316.1 |
| Depreciation | **42.7** | 39.8 |
| Amortisation of goodwill | **16.8** | 14.3 |
| Loss/(profit) on disposal of fixed assets | **0.2** | (0.6) |
| Difference between pension charge and cash contributions | **(10.7)** | 21.6 |
| (Increase)/decrease in fair value of current asset investments | **(1.4)** | 0.5 |
| Decrease/(increase) in stock | **62.3** | (173.6) |
| Decrease/(increase) in debtors | **49.3** | (40.4) |
| (Decrease)/increase in creditors (including warranty provision) | **(196.5)** | 162.7 |
| Currency translation differences | **10.7** | (9.7) |
| **Net cash inflow from operating activities** | **263.7** | 330.7 |

## 26. Contingent liabilities

**Group**
Various companies within the group have a contingent liability in respect of guarantees and indemnities given by Barclays Bank plc, HSBC Bank plc and Lloyds Bank plc on their behalf. The group's liability in respect of these at 31 December 2019 was £52.1 million (2018: £54.2 million).

**Company**
The company has a contingent liability in relation to guarantees and indemnities given by Barclays Bank plc and HSBC Bank plc on its behalf. The company's liability in respect of these at 31 December 2019 was £38.7 million (2018: £39.6 million).

## 27. Related party transactions

The company has taken advantage of the exemption allowed under FRS 102 paragraph 33.1A not to disclose details of transactions with entities that are wholly owned members of the group.

**Other related parties - group**
The group subcontracts some of its research and development projects, and related management services, to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of services purchased by the group during the year was £99.1 million (2018: £109.0 million). The net amount owed by JCB Research to the group at 31 December 2019 was £68.5 million (2018: £35.3 million).

JCB Research is party to a jointly and severally liable pooled banking facility. At 31 December 2019 the group had an exposure of £307.6 million (2018: £262.4 million).

The group has transacted machines and parts with JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was sales of £5.6 million (2018: £2.4 million) and purchases of £51.7 million (2018: £67.3m). The net amount owed to the group at 31 December 2019 by JCB Construction Equipment (Shanghai) Limited was £7.3 million (2018: £12.2 million).

The group also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £131.7 million (2018: £145.9 million). The net amount owed to JCB Hong Kong Limited at 31 December 2019 was £21.9 million (2018: £9.6 million).

The group transacts business with BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders. The group purchased branded products and merchandise from and sold parts to the BHoldings Limited group of companies. The total value of these transactions was sales and recharges of £16.1 million (2018: £14.0 million) and purchases of £nil (2018: £0.4 million). The group paid £2.5 million (2018: £2.3 million) as a promotional services fee to BHoldings Limited. The net amount owed to the group by the BHoldings Limited group of companies at 31 December 2019 was £7.0 million (2018: £60.2 million).
During the year, the group acquired 100% of the issued share capital of JCB Power Products Limited, a company wholly owned by BHoldings Limited for cash consideration of £51.0 million.

The group has loaned funds to and provided administrative services to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The total value of these transactions was sales of £6.1 million (2018: £3.4 million). The net amount owed to the group by JCB Access Limited at 31 December 2019 was £15.8 million (2018: £12.4 million).

The group has also provided administrative services to Thrip Enterprises LLP, a partnership in which Lady Bamford OBE is a partner. The total value of these services was £nil (2018: £0.4 million) and the amount owed to the Group at 31 December 2019 was £1.0 million (2018: £1.1 million).

The group has incurred management and finance charges of £3.4 million (2018: £2.6 million) from JCB Finance SAS, a company that is jointly owned by BNP Paribas Lease Group SA and Transmissions and Engineering Services Netherlands BV, the immediate parent company. The net amount owed to the group at 31 December 2019 by JCB Finance SAS was £0.6 million (2018: £nil).

The group has incurred rental and other charges of £1.8 million (2018: £2.3 million) from Bamford Property Limited, a company ultimately controlled by Bamford family interests. The group recharged expenditure of £10.6 million (2018: £9.3 million) incurred on behalf of this company during the year. The net amount owed to the group by Bamford Property Limited was £86.5 million at 31 December 2019 (2018: £80.0 million).

The group has a receivable of £5.1 million (2018: £5.1 million) with B Uttoxeter Property Holdings Limited, a company ultimately controlled by Bamford family interests.

The group has a receivable of £2.2 million (2018: £2.1 million) with B Cheadle Property Holdings Limited, a company ultimately controlled by Bamford family interests.

## 27. Related party transactions (continued)

The group has a liability of £1.7 million (2018: £2.4 million) and a receivable of £0.2 million (2018: £0.3 million) with JCB Euroservices SARL, a fellow subsidiary of Transmissions and Engineering Services Netherlands BV.

Details of emoluments paid to the directors are disclosed in note 9 of these financial statements.

**Other related parties – company**
The company subcontracts some of its management services to JCB Research in which The Lord Bamford DL is the sole shareholder. JCB Research charges the group for these services at cost, so as to make neither profit nor loss after allowing for taxation. The total value of these transactions during the year was £58.7 million (2018: £68.7 million). The net amount owed to JCB Research by the company at 31 December 2019 was £nil (2018: £68.7 million).

The company has purchased parts from JCB Construction Equipment (Shanghai) Limited, a company ultimately controlled by Bamford family interests. The total value of these transactions was purchases of £0.2 million (2018: £0.2 million). The net amount owed to JCB Construction Equipment (Shanghai) Limited by the company at 31 December 2019 by was £0.7 million (2018: £1.0 million).

The company also purchased parts from JCB Hong Kong Limited, the parent company of JCB Construction Equipment (Shanghai) Limited. The total value of these transactions was purchases of £4.7 million (2018: £5.3 million). The net amount owed to JCB Hong Kong Limited at 31 December 2019 was £14.4 million (2018: £1.3 million).

The company has sold parts and loaned funds to BHoldings Limited and its subsidiaries, a group in which Lady Bamford OBE and her family are the shareholders and the total value of these sales was £nil (2018: £0.5 million). The net amount owed to the company by the BHoldings Limited group of companies at 31 December 2019 was £nil (2018: £7.2 million).

The company has loaned funds to JCB Access Limited, a company in which The Lord Bamford DL is the sole shareholder. The net amount owed to the company by JCB Access Limited at 31 December 2019 was £4.9 million (2018: £6.7 million).

Details of emoluments paid to the directors are disclosed in note 8 of these financial statements.

## 28. Ultimate controlling party

The company is a subsidiary of Transmissions and Engineering Services Netherlands BV ("TESN"), a company incorporated in the Netherlands. Transmissions and Engineering Services Netherlands BV is the largest and smallest group which consolidates the financial statements of J.C.B. Service and is ultimately controlled by Bamford family interests. Financial statements for Transmissions and Engineering Services Netherlands BV can be obtained from the Chamber of Commerce, Blaak 40, 3011 TA, Rotterdam.

## 29. Events after the reporting period

On 1 January 2020, the group disposed of its investments in JCB Farms Limited; Daylesford Organic Farms Limited; and Wootton Organic Wholesale Limited to Bamford Property Limited for cash consideration of £1. There was no profit or loss on disposal.

On 18 March 2020, the 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.

### 30. Registered Addresses

The registered addresses of the subsidiary and associated undertakings are detailed below:

| Company | Registered address |
|---|---|
| J C Bamford Excavators Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford Investments | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Benelux Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Earthmovers Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Cab Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Insurance Services Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Materials Handling Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Sales Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Transmissions | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Landpower Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Heavy Products Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Farms Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| Wootton Organic Wholesale Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Backhoe Loaders Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Accounting and Systems Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Parts Ltd | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Remarketing Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Defence Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Power Products Broadcrown Limited | Hixon Airfield Industrial Estate, Hixon, Stafford, England, ST18 0PF |
| JCB Power Products India Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Compact Products Limited | Harewood Estate, Leek Road, Cheadle, Stoke-on-Trent, ST10 2JU |
| JCB North America Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| A Bamford Trading Company Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Drivetrain Systems Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Belgium NV | Nijverheidslaan, 1501, 3660, Opglabbeek, België |
| JCB do Brasil Ltda | Avenida Joseph Cyril Bamford, 3600 – Eden – Sorocaba- São Paulo, 18013-139 |
| JCB Excavators Limited | 145 King St. W. Ste 2701 Toronto, CA M5H 1J8 |
| JCB Europe SARL | 3, Rue du Vignolle, 95842, Sarcelles, France |
| JCB Ile de France SNC | 5, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| JCB SAS | 3, Rue du Vignolle, 95842 Sarcelles Cedex, France |
| Lyomat SAS | Chemin De La Lone, 6 9491, Pierre-Bénite, France |
| JCB Deutschland GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB Vertrieb and Service GmbH | Europaallee 113, 50226 Frechen, Germany |
| JCB Vibromax GmbH | Graf-Zeppelin-Str.16, 51147 Köln, Germany |
| JCB India Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB SpA | Via Enrico Fermi, 16, 20090, Assago (Milan), Italy |
| Daylesford Organic Farms Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| J C Bamford NV | Zandweistraat, 16, 4181, CG Waardenburg, Netherlands |
| JCB Russia LLC | Russian Federation, 107045, Moscow, Trubnaya St, 12, Office 1A |
| JCB Maquinaria SA | C/Francisco Alonso, 11-B, 28806, Alcalá de Henares, Madrid, Spain |
| JCB Sales Asia Pacific Pte Ltd | No.50 Collyer Quay, #04-04 OUE Bayfront, Singapore 049321 |
| JCB US Holdings Inc | 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA |
| JCB Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Manufacturing Inc | 2000 Bamford Blvd, Pooler, Ga 31322, USA |
| JCB Finance Company | 103 Foulk Road, Suite 202, Wilmington, DE 19803 |
| North Georgia Construction LLC | 2679 Barrett Lakes Blvd, Kennesaw Ga 30144, USA |
| JCB Kenya Services Limited | LR. 1/1228, Chaka Place, Argwings, Khodhek Road, P.O BOX 46971-00100, Kenya |
| JCB Australia Pty Ltd | Suite 16, 828 High Street, Kew East VIC 3102, Australia |
| JCB Mini Excavators Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Special Products Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |

## 30. Registered Addresses (continued)

| Company | Registered address |
|---|---|
| JCB Attachments Limited | Lakeside Works, Rocester, Uttoxeter, Staffs, ST14 5JP |
| JCB Vibromax Inc | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Argentina SRL | Carlos Pellegrini 1135, 6th Floor, City of Buenos Aires, Argentina |
| JCB Finance International Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Equipment Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JC Bamford Myanmar Private Limited | 192 Kaba Aye Pagoda Road, Bahan Township, Yangon City, Myanmar |
| JCB Golf and Country Club Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Industries Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| L Gardner & Sons Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Management Services | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| JCB Credit Limited | Lakeside Works, Rocester, Staffordshire, ST14 5JP |
| J C Bamford Investments Private Limited | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Literature Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| Lady Bamford Foundation | B-1/I-1, 2nd floor, Mohan Co-operative Industrial Estate, Mathura Rd, New Delhi, India |
| JCB Dallas LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Dallas Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Houston Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Southern California Real Estate LLC | 2000 Bamford Blvd. Pooler, GA 31322, USA |
| JCB Finance Limited | The Mill, High Street, Rocester, Nr Uttoxeter, ST14 5JW |

BEXAR COUNTY
ECONOMIC & COMMUNITY
DEVELOPMENT

# Tax Abatement Application

## JCB Inc.

BEXAR COUNTY
ECONOMIC & COMMUNITY
DEVELOPMENT

# Background

JCB is the world’s largest privately-owned manufacturer of construction, agricultural and industrial equipment.

From its U.S. headquarters in Savannah, Georgia, and at 22 other manufacturing facilities in the United Kingdom, China, India, and Brazil, JCB manufactures a range of more than 300 products for customers in 150 countries.

This project will serve as an expansion of its existing North American Manufacturing footprint. The facility will produce equipment that is currently produced in the UK and India, to bring their product closer to the consumer and create capacity within those facilities.

This facility will produce Telescopic Handlers, and two variants of Aerial Work Platforms.

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# Project

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- **Project**: This project will serve as an expansion of JCB's existing North American Manufacturing footprint. The facility will produce equipment that is currently produced in the UK and India, to bring their product closer to the consumer and create capacity within those facilities. This facility will produce Telescopic Handlers, and two variants of Aerial Work Platforms.
- **Investment:** $269 Million
- **Jobs: 1580** new jobs ; base hourly wage being $21.81
- **Location:** Precinct 1

# Site Development

BEXAR COUNTY
ECONOMIC & COMMUNITY DEVELOPMENT


# Incentive Offer

BEXAR COUNTY
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- 10 year/100% tax abatement on real and personal property investments. Using the investment numbers provided, the incentive value is estimated at $6,493,779.
- Skill Development Grant of up to $250,000 based on 250 new jobs paying at least $28.01 an hour or $58,240 annually, excluding benefits, bonuses, and commissions; $1,000 for each that are created and filled within the first two years of operation.
- Public Infrastructure Grant of up to $5,000,000 for off-site public infrastructure improvements
- Chapter 381 Economic Development Grant to be paid over 2-3 years to reimburse the rollback for its ag exempt status
- Nomination to the TX FAME board and reserved training slots
- The estimated value over the term of the incentive is $11,743,779.

# Recommended Motion

BEXAR COUNTY
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- Direct staff to negotiate a Tax Abatement, Skills Development Grant, Public Infrastructure Grant and Chapter 381 Economic Development Grant with JCB Manufacturing, Inc.