

Gunn JCB Limited

Directors' report and financial statements  
for the year ended 31 December 2004

Registered Number 527818



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# Gunn JCB Limited

## Directors' report and financial statements for the year ended 31 December 2004

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# **Gunn JCB Limited**

## **Directors' report for the year ended 31 December 2004**

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### **Principal activity**

The principal activity of the company in the period under review was the distribution and after sale support of JCB construction, extraction, mechanical handling, agricultural and industrial equipment.

### **Review of business**

The results for the year are set out in the financial statements on pages 4 to 13. The directors consider these results to be satisfactory.

In spite of extremely competitive market conditions; trading across all sectors of the company's business was strong which resulted in turnover and profits exceeding those of the previous year. Although the directors do not expect demand to continue to grow at the same level as in 2004 they nevertheless expect profits to be maintained at a satisfactory level.

### **Results and dividends**

The profit and loss account for the year is set out on page 4.

An interim dividend of £400,000 was paid during the year (2003: £350,000). The directors do not propose any final dividend (2003: £Nil) resulting in retained profits of £91,000 (2003 : £60,000) being transferred to reserves.

### **Donations**

During the year the company donated £1,184 (2003: £1,424) to charity. Details of donations during the year over £200 are detailed below:

£

Soil association	1,000
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No political donations were made in the year or in the previous period.

### **Directors and directors' interests**

The directors who served during the year or from date of appointment were as follows:

G W F Smith  
J H Bailey  
J A Dolphin  
S P Nixon  
J M B Davies

No director held any beneficial interest in the issued share capital of the company or its parent undertaking at the beginning or end of the financial period.

The interests of the directors in the share capital of Gunn JCB (Holdings) Limited are disclosed in its financial statements.

# **Gunn JCB Limited**

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP for the year 2005 as auditors to the company will be proposed at the annual general meeting.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'J H Bailey', with a long horizontal flourish extending to the right.

**J H Bailey**  
**Director/Secretary**  
11 April 2005

# **Gunn JCB Limited**

## **Independent auditors' report to the members of Gunn JCB Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Manchester  
11 April 2005

## Gunn JCB Limited

### Profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1	70,330	62,333
Cost of sales		(63,969)	(56,614)
Gross profit		6,361	5,719
Administration expenses		(5,089)	(4,682)
Operating profit	2	1,272	1,037
Net interest payable	3	(541)	(421)
Profit on ordinary activities before taxation		731	616
Taxation on ordinary activities	6	(240)	(206)
Profit for the financial period		491	410
Dividend (£80 per share, 2003: £70 per share)		(400)	(350)
Retained profit for the financial year	16	91	60

All operations in the year are continuing.

There are no recognised gains and losses other than the profit for the year.

# Gunn JCB Limited

## Balance sheet as at 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible assets	7	1,289	1,413
Investment	8	4	4
		<b>1,293</b>	<b>1,417</b>
<b>Current assets</b>			
Stocks	9	9,571	5,672
Debtors	10	4,593	4,911
Cash at bank and in hand		2	1
		<b>14,166</b>	<b>10,584</b>
Creditors: amounts falling due within one year	11	(14,083)	(10,741)
<b>Net current assets / (liabilities)</b>		<b>83</b>	<b>(157)</b>
<b>Total assets less current liabilities</b>		<b>1,376</b>	<b>1,260</b>
Creditors: amounts falling due after more than one year	12	(233)	(374)
Provisions for liabilities and charges	14	(453)	(287)
<b>Net assets</b>		<b>690</b>	<b>599</b>
<b>Capital and reserves</b>			
Called up equity share capital	15	5	5
Profit and loss account	16	685	594
<b>Equity shareholders' funds</b>	17	<b>690</b>	<b>599</b>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 11 April 2005 and were signed on its behalf by:



G W F Smith  
Director

# Gunn JCB Limited

## Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### Basis of preparation and accounting period

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention. The accounting policies have been applied consistently with the prior year.

### Fixed Assets

Fixed assets are stated at cost.

Depreciation is provided at rates which are calculated to write down the cost or valuation of fixed assets by annual instalments as follows:

Vehicles	25% to 33 $\frac{1}{3}$ % on reducing balance
Plant, fixtures and fittings	20% to 33 $\frac{1}{3}$ % on a straight line basis

### Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is the expenditure incurred in the normal course of business in bringing the item to its present location and condition. Net realisable value is the actual or estimated selling price less all further costs to completion, selling and distribution expenses.

Work in progress is valued at the cost of direct materials and labour in bringing the product to its present condition.

### Turnover

Turnover represents the value of goods and services, net of value added tax and trade discounts invoiced to external customers during the period less returns. Turnover is recognised at the point of supply.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date. A net deferred tax asset is recognised only when it can be regarded as more likely than not it will be recovered.

Deferred tax is measured on a non-discounted basis using tax rates that have been enacted by the balance sheet date.

### Hire purchase and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under the finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

### Pension costs

Pension costs as incurred by the company under the defined contribution scheme are charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the company in an independently administered fund.



# Gunn JCB Limited

## Notes to the financial statements for the year ended 31 December 2004

### 1 Turnover

Turnover represents the amount derived from the provision of goods and services under the company's principal activity, which is carried out in the UK, and is stated net of value added tax.

### 2 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging/(crediting):		
Depreciation	526	462
Auditors' remuneration for:		
Audit services	18	18
Other services	8	14
Staff costs (Note 4)	5,228	4,752
(Profit) on sale of tangible fixed assets	(6)	(4)
Operating leases – plant and machinery	1	46
Operating leases – other	39	29

### 3 Net interest payable

	2004 £'000	2003 £'000
Interest payable on bank overdrafts	167	135
Interest payable on stocking loan	311	214
Interest payable on inter-company loan	36	44
Interest payable on hire purchase leases	27	25
Net interest payable on sundry amounts outstanding	-	3
	541	421

Bank balances are aggregated on a group basis for the purpose of calculating net interest payable.

The stocking loan is a loan facility to provide finance for stocking new and used machines for sale.

The inter-company loan is from the immediate parent undertaking for working capital purposes.

# Gunn JCB Limited

## 4 Staff costs and numbers

	2004 £'000	2003 £'000
Wages and salaries	4,588	4,182
Social security costs	468	421
Pension costs	172	149
	<b>5,228</b>	<b>4,752</b>

Pension costs relate to the agreed contributions that have been made by the company to the Gunn JCB defined contribution scheme for all employees including directors. The pension cost charge represents the total contributions payable to the funds.

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

	2004 Number	2003 Number
Office and management	76	71
Sales and technical	105	101
	<b>181</b>	<b>172</b>

## 5 Directors' remuneration

	2004 £'000	2003 £'000
Aggregate emoluments of the directors	<b>562</b>	<b>530</b>

The emoluments of the highest paid director were £148,244 (2003: £142,029). The amount of the company's contributions paid to the defined contribution pension scheme in respect of the highest paid director was £23,151 (2003: £19,176).

Four other directors participate in a defined contribution pension scheme and the company's contributions in respect of these directors were £67,434 (2003: £45,582).

## 6 Taxation

	2004 £'000	2003 £'000
Current tax		
UK corporation tax	258	197
UK corporation tax adjustment for prior year	2	(15)
	<b>260</b>	<b>182</b>
Deferred tax		
Origination and reversal of timing difference – current year	(19)	7
Origination and reversal of timing difference – prior year	(1)	17
	<b>240</b>	<b>206</b>

# Gunn JCB Limited

## 6 Taxation (continued)

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	731	616
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	219	185
Adjustments in respect of prior periods	2	(15)
Expenses not deductible for tax purposes	20	19
Accelerated capital allowances and other timing differences	19	(7)
Actual current tax charge	260	182

The directors expect the rate of tax charge to be maintained at the current level in future periods.

## 7 Tangible fixed assets

	Vehicles £'000	Plant, fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 January 2004	1,376	1,339	2,715
Additions	282	164	446
Disposals	(157)	(9)	(166)
<b>At 31 December 2004</b>	<b>1,501</b>	<b>1,494</b>	<b>2,995</b>
<b>Depreciation</b>			
At 1 January 2004	551	751	1,302
Charge for the year	317	209	526
Disposals	(113)	(9)	(122)
<b>At 31 December 2004</b>	<b>755</b>	<b>951</b>	<b>1,706</b>
<b>Net book value</b>			
<b>At 31 December 2004</b>	<b>746</b>	<b>543</b>	<b>1,289</b>
<b>Net book value</b>			
At 31 December 2003	825	588	1,413

Included above, in vehicles, are fixed assets with a net book value of £637,000 (2003: £639,000) which are held under hire purchase leases. The depreciation charge for the period includes £260,000 (2003: £183,000) in respect of these assets.

# Gunn JCB Limited

## 8 Investment in subsidiary

The company has a 100% interest in the share capital of DGS Plant Sales Limited purchased for a consideration of £3,678. The subsidiary is incorporated in Great Britain and has been dormant throughout the year. The directors consider that the value of the investment is not less than the amount included in the financial statements.

Group accounts are not submitted as Gunn JCB Limited is itself a wholly owned subsidiary of Gunn JCB (Holdings) Limited, a company which prepares consolidated accounts, including Gunn JCB Limited. Therefore the financial information is presented for Gunn JCB Limited as an individual company and not for its group.

## 9 Stocks

	2004 £'000	2003 £'000
Consumables and goods for resale	9,464	5,551
Work in progress	107	121
	<b>9,571</b>	<b>5,672</b>

## 10 Debtors

	2004 £'000	2003 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	3,509	4,300
Prepayments and accrued income	225	217
Other debtors	829	384
Deferred tax asset	30	10
	<b>4,593</b>	<b>4,911</b>

The deferred tax asset as shown above can be analysed as follows:

	Provided		Unprovided	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Excess of capital allowances over depreciation	30	10	-	-

# Gunn JCB Limited

## 11 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Bank overdraft	872	2,340
JCB Finance - stocking facility	8,518	4,487
Trade creditors	2,077	1,861
Hire purchase (Note 12)	326	301
Amounts owed to intermediate parent undertaking	1,572	880
Accruals and deferred income	120	112
Corporation tax	178	68
Other taxation and social security	191	449
Other creditors	229	243
	14,083	10,741

## 12 Creditors: amounts falling due after one year

	2004 £'000	2003 £'000
Hire purchase creditor	233	374
<b>Maturity of debt:</b>		
In one year or less	326	301
Between one and five years	233	374
	559	675

## 13 Contingent liability

The company has granted a Bond and Floating Charge over all of its assets in favour of Barclays Bank PLC and has guaranteed the overdrafts of its fellow subsidiary and parent undertakings.

The company has also granted a Bond and Floating Charge over all of its assets in favour of JCB Finance Limited as security for loans advanced to the company. This charge ranks behind the charge to Barclays Bank PLC.

# Gunn JCB Limited

## 14 Provisions for liabilities and charges

	£'000
<b>Maintenance and warranty provision</b>	
At 1 January 2004	287
Charged in the year	429
Amounts utilised in the year	(263)
<b>At 31 December 2004</b>	<b>453</b>

## 15 Called up equity share capital

	2004 £'000	2003 £'000
<b>Authorised, allotted, called up and fully paid</b>		
5,000 ordinary shares of £1 each	5	5

## 16 Reserves

	2004 £'000	2003 £'000
<b>At 1 January</b>	<b>594</b>	<b>534</b>
Retained profit for the financial year	91	60
<b>At 31 December</b>	<b>685</b>	<b>594</b>

## 17 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
Opening equity shareholders' funds	599	539
Retained profit for the year	91	60
<b>Closing equity shareholders' funds</b>	<b>690</b>	<b>599</b>

## 18 Capital commitments

	2004 £'000	2003 £'000
Contracted for but not provided	-	-

# Gunn JCB Limited

## 19 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2004 Land and buildings £'000	2003 Land and buildings £'000
<b>Operating leases which expire:</b>		
Within one year	-	-
After five years	40	40
	<b>40</b>	<b>40</b>

## 20 Machine repurchase agreement

The company has future commitments to repurchase machines from customers, at the customer's option, of up to £2,572,362 (2003: £1,951,757) of which options of up to £627,859 (2003: £858,020) may be exercised within 12 months. Option prices vary according to the dates on which the options are exercised and provision has been made in the accounts for any losses expected to arise from these arrangements.

## 21 Financial Reporting Standard No 1

The company is exempt from the preparation of a cash flow statement on the grounds that it is a wholly owned subsidiary of a UK company.

## 22 Related party disclosures

As a wholly owned subsidiary of Gunn JCB (Holdings) Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosure of transactions and balances with fellow group companies. There were no other related party transactions in the year and no balance outstanding.

## 23 Ultimate parent company and controlling party

Gunn JCB (Holdings) Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Gunn JCB (Holdings) Limited financial statements can be obtained from its registered office at Atlantic Street, Broadheath, Altrincham, Cheshire, WA14 5DN.

The company is ultimately controlled by Mr G W F Smith.