Company Registration Number: 00921639

John Nixon Limited

Annual report and financial statements

for the year ended 31 December 2020

John Nixon Limited

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John Nixon Limited

Officers and Professional Advisers

Directors

J Nixon (Chairman)
G R Nixon
N McDiarmid
K M Blackwood
T D King
A L Blackwood
B J Brown
S J Smith (Resigned 30th April 2021)
C E Nixon
M A Hayward (Appointed 18th February 2020)

Company secretary

N McDiarmid

Registered office

City West Business Park
Scotswood Road
Newcastle upon Tyne
NE4 7DF

Bankers

Barclays Bank PLC
71 Grey Street
Newcastle upon Tyne
NE1 6EF

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Auditor

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
United Kingdom
LS1 2AL

John Nixon Limited

Strategic Report

The directors present their strategic report for the year ended 31 December 2020.

Principal activities

John Nixon Limited (the company) is involved in the hire, distribution and sale of construction plant and tools, portable accommodation, welfare cabins, welfare vans and portable toilets primarily to the building and civil engineering sectors. The company operates throughout England and Scotland.

Review of the business

The results for the year show turnover of £67.7m (2019: £76.6m) and a pre-tax profit of £0.8m (2019: Loss of £0.7m).

The company invested £4.3m (2019: £36.8m) in new plant, the transport fleet, and in the general infrastructure of the business.

The first 6 months of the year resulted in a pre-tax loss of £1.7m. This loss was due to a combination of the on-going restructuring of the business which commenced in mid-2019 and the impact of COVID-19. The company made pre-tax profits of £2.5m in the second half of the year.

During 2020 we continued the project to rationalise the business to improve profitability. This involved reducing costs and concentrating on maximising revenues. We invested in I.T. infrastructure, centralized the Hire Desk and logistics, and developed systems to enable staff to work remotely.

The process continued into the early part of 2020 with the closure of loss-making depots in Bristol, Southampton and Birmingham. Management continued to reshape the business to concentrate on fewer product lines, with higher utilisation and a better return on investment.

COVID-19 resulted in a national lockdown from 23rd March 2020. At this point the future was very uncertain. The business suffered disruption during the early months of the pandemic, with hire revenue falling by circa 40% between April 2020 and June 2020.

The company concentrated on supporting Customers that were deemed 'essential' and 'on the front line' to the supply chain in the fight against the virus.

The company took advantage of the Coronavirus Job Retention Scheme, initially, furloughing c.300 employees. However, by August revenues had recovered to pre-pandemic levels, except for hire revenue generated from events which is not expected to fully recover until Government restrictions are eased. The grant received for the year ended 31 December 2020 was £1.6m.

Due to the uncertainty caused by COVID-19 the company concentrated on conserving cash and negotiated capital repayment holidays with Hire Purchase providers which deferred c. £7m of scheduled repayments over periods from 3 to 6 months. In April, the company took advantage of deferring £1.8m of VAT which was repaid to HMRC in March 2021.

During the 2nd half of the year COVID-19 had a minimal impact on profitability due to ongoing cost cutting, reduced capital expenditure, the Coronavirus Job Retention Scheme and an increased demand for accommodation and welfare products.

The Board took the difficult decision to close the Berwick depot in May and to service the area via our Newcastle and Edinburgh depots. In May the break notice was served on the lease at Bury St Edmunds and the depot closed retaining as much business as possible via Bedford and Nottingham depots and via third party suppliers. In July the Sunderland depot was closed with the customer base retained and serviced by our Newcastle and Stockton depots. The resulting closures led to the sale of the freehold property at Berwick in September and the letting of the Sunderland depot to a third party. This property is now treated as an investment property in the balance sheet. Nairn (Highlands) and Carlisle depots were temporarily closed during the first national lockdown period, the areas being supported via Aberdeen and Newcastle respectively.

In September we sold the small tool division for £0.4m. The revenue that was generated and the service provided by this division has been retained by rehiring these assets from third parties.

The net-assets of the company increased, year on year, by £0.5m from £27.9m up to £28.4m.

Strategic report (continued)

Key performance indicators

The company's financial performance is assessed primarily by turnover, gross profit, profit before tax and EBITDA. These are reported in the management accounts and are reviewed by the board and operational managers.

	Year to 31 December 2020	Year to 31 December 2019	Change %
Turnover (£'000)	67,659	76,608	(11.7%)
Gross profit margin (%)	31.2%	30.8%	0.4%
EBITDA (£'000)	18,013	17,837	1.0%
Pre-tax profit/(loss) (£'000)	752	(675)	111.4%

Turnover has decreased by 11.7% from £76.6m in 2019 to £67.7m in 2020. Hire fleet sales for 2020 were £5.6m lower than 2019 due to the cyclical timing of maintenance capital expenditure and an unusually large disposal of hire fleet assets in 2019. Hire and service revenue has been negatively impacted by COVID-19.

Gross profit margins have increased by 0.4% from 30.8% in 2019 to 31.2% in 2020. The increase is mainly due to the improvement in efficiency of hire operations. Gross profit margins on service revenue and hire fleet sales revenue have remained consistent year on year.

Pre-tax profit/(loss) and EBITDA have both increased for the year due to; (i) higher utilisation of existing hire fleet assets; (ii) operational efficiency improvements across the business.

Reconciliation of operating profit to EBITDA:

	Year to 31 December 2020	Year to 31 December 2019
Operating profit (£'000)	2,954	1,401
Depreciation and amortisation (£'000)	15,059	16,436
EBITDA (£'000)	18,013	17,837

Significant events since the year end

During 2020 we took advantage of HMRC VAT deferral scheme. The deferred amount of £1.8m which is included in the balance in note 15 was paid in March 2021.

The Brexit treaty came into effect from 1 January 2021, taking over from the transitional period arrangement. Brexit has had little impact on the business.

As a result of the significant additional costs incurred due to operating the business under guidelines set out by the government in response to Covid-19, the directors have submitted a Business Interruption claim under existing insurance policies. Consideration of this claim by the company's insurers is ongoing with an outcome expected during 2021.

Future developments

The trading environment in which the company operates is expected to remain competitive for the foreseeable future, but the directors remain confident that the company can increase its market share and improve its trading performance.

The company will continue to grow by increasing the size of the hire fleet operating from a national depot network. The investments and efficiencies made and planned will also enable the business to continue to grow in terms of turnover, profit, geographical trading area and product offering.

Strategic report (continued)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to aggressive pricing policies from both national and local competitors and volumes of non-residential construction projects.

Price risk

The company operates in a competitive market. This could lead to the company losing hires to its key competitors or a reduction in hire rates, both of which would result in reduced income. The company manages this risk by providing value added services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers. The company also has an ongoing strategy to continually improve the efficiency of its operation and invest in new products for its hire fleet.

Trading risk

The company is dependent on the economic activity in its trading area of England and Scotland. The company continually assesses the trading environment in which it operates and ensures that we hold the correct quantity of assets to meet demand.

The United Kingdom has now left the European Union and the transition period came to an end on 31st December 2020. At the date of signing this report the business has not suffered any significant disruption. The board continuously assesses the potential risks associated with the Brexit process. The company purchases equipment (generally new) from EU suppliers and sells equipment (generally ex hire fleet) to EU customers. The company maintains a modern hire equipment fleet. If the import/export of equipment to/from EU countries experiences difficulties, then the business will reduce transactions and 'age' the fleet. The business is capital intensive, relying on access to capital in order to invest in products for the hire and transport fleets. The company maintains good relationships with a pool of funders to provide several sources of finance.

Financial risk management

The company's activities expose it to a number of financial risks including interest rate risk, credit risk, exchange rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and these are summarised below. The company does not use derivative financial instruments for speculative purposes.

Interest rate risk

The company operates with fixed interest rate Hire Purchase agreements and variable rate bank funding. Any increase in interest rates will result in an increased finance cost and reduced profit for the year.

Credit risk

The company's principal financial assets are bank balances and cash, and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. Credit checks are performed on potential and existing customers and each has an appropriate credit limit set given the perceived risk. The company has no significant concentration of credit risk, with exposure spread over a significant number of counterparties and customers.

Exchange rate risk

The company purchases goods which are paid for in foreign currencies. Where these amounts are significant the company contracts to purchase a proportion of the foreign currency in advance with the objective being to reduce its cash exposure to changes in exchange rates.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company's policy is to ensure that cash is available within the invoice finance facility, whilst maintaining short, medium and long term funding arrangements.

Strategic report (continued)

The company's borrowing facility and term loan are on a variable rate of interest. The company manages the repayment period of debt to ensure it is appropriate to the type of assets being purchased. The term loan matures in September 2025 with a 10-year repayment profile.

Net current liabilities

Current Liabilities include the bank loan and hire purchase agreements. These liabilities are secured primarily against long term assets that generate a cash stream which is sufficient to service the current liabilities as they fall due. The term loan matures in September 2025.

Impairment risk

The carrying value of fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment risk is managed by a continual assessment of the valuation, condition, and age of the hire fleet. A comprehensive asset replacement policy is utilised to mitigate this risk.

Section 172(1) statement

The Directors have a duty to promote the success of the Company for the benefit of its members as a whole, as set out in Section 172(1) of the Companies Act 2006.

In doing so, the Directors must have regard to the needs of, and impact on, our many stakeholders and other matters described in the section. This Section 172(1) Statement has been prepared in accordance with the new requirement to report how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act when performing this duty.

The Board of directors has:
• established the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.
• taken full responsibility for all aspects of the Company's business over the long term by preparing regular forecasts which show the potential impact of the strategic decisions.
• maintained a reputation for high standards of business conduct and demonstrated leadership and an approach to transparency and governance which engenders trust and ensures accountability for their actions.
• the range of skills and experience, including strong independent membership, enabling it to make decisions that address diverse customer and stakeholder needs.

Stakeholder Engagement

The Company has a wide range of stakeholders. Much of the stakeholder engagement takes place at an operational level. The Board includes two Independent Non-Executive Directors. The Board reviews company performance across a wide range of subjects at each meeting through key performance indicators and management reports. This information provides a balanced view of our engagement with our key stakeholder groups.

Examples of stakeholder engagement considered by the Board during the year included:

• Customers: updates on the short-term impacts on customer service due to the implementation of new systems and the centralised hire desk.

• Environment: capital expenditure on Solar Pods and Eco Welfare Units which harness energy from the sun to power construction sites, reducing CO_2 emissions and noise pollution. Our aim as a company is to reduce our carbon footprint by 10% year on year in line with being carbon neutral by 2025. LED lighting and PIR sensors across the product range and depot network.

• Employees: the health and safety of employees by employing a SHEQ Manager who oversees all aspects of safety, health, environment, and quality systems.

John Nixon Limited

Strategic report (continued)

• Community: offer young people experience and training via work experience and apprenticeships. The company joined the government Kickstart program which enables unemployed young people to gain work experience with a view to full time employment.

• Suppliers: new service level agreements with major suppliers, value of innovation partnerships and adoption of the Modern Slavery Act 2015.

The Directors consider, both individually and together, that they have acted to promote the long term success of the Company for the benefit of its members as a whole during the year ended 31 December 2020, in accordance with their duties under S172 of the Companies Act.

Approved by the Board and signed on its behalf by:

N McDiarmid
Director
30th June 2021

City West Business Park
Scotswood Road
Newcastle upon Tyne
NE4 7DF

John Nixon Limited

Directors Report

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2020. The principal risks and uncertainties, financial risk management, significant events since the year end and an indication of future developments in the business have been discussed within the Strategic Report and form part of this report by cross reference.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The Strategic Report and the Directors' Report further describe the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through an invoice financing facility secured against trade debtors. The company also finances its operations via a combination of hire purchase finance (repayable between 1 to 5 years) and a term loan secured over land and buildings as per note 15.

The company continues to proactively manage working capital needs and the directors consider that following their review of the company's investment in the hire fleet to date, the business is well placed to react to changing market conditions. As a consequence, the directors believe that the company will be able to manage its business and liquidity risks.

The directors have considered the principal risks to the business and the threats to the business continuing to operate as a going concern for the 12 month period following the balance sheet date as set out below:

Trading risk - Whilst recent economic conditions have continued to create uncertainty over the level of demand for the company's products, the company has generally seen demand for products increase and a rise in utilisation over the last 18 months. Given the current Covid-19 pandemic, the directors have also considered the impact if trading results are significantly below expectations. The company has sufficient borrowing headroom to be able to continue trading even if hire revenue were to fall by 20%. Construction output in March 2021 was 2.4% above the February 2020 pre-pandemic level. The Directors consider that the risk of a decline in sales to be remote.

Availability of finance risk - The business model relies on the availability of hire purchase funding and as described in note 15, the company has a mix of financiers. The directors report that, for the period since 31 December 2020 to the date of this report, funding has continued to be available on acceptable terms when required. Should hire purchase funding become unavailable then the Directors would mitigate this risk by curtailing the capital expenditure programme. Purchases are made on a relatively short term planning horizon, typically 6 months. The Directors consider that the quality of the current hire fleet would be sufficient to sustain the business with in the medium term should such a curtailment to the programme prove necessary.

Interest rate risk - The directors consider that any future changes in rates would not have a significant effect on profitability. All of the company's hire purchase borrowings are at interest rates which are fixed for the duration of the agreement. The Directors considered the impact of increases to interest rates on the interest payable on the term loan to be small (see note 15).

Credit risk - The company's principal financial assets are bank balances and cash, and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The company has no significant concentration of credit risk, with exposure spread over a significant number of counterparties and customers. The directors have analysed the customer base and note that in 2020 the largest customer represented only 3.8% of revenue. The directors have reviewed the customer base and consider that the company is not overly exposed to any geographical region, segment, sector or customer.

Inflation risk – The directors have considered the effect of future inflation on the business. The Bank of England upper limits for inflation for the next twelve months fall within the sensitivities modelled. The directors are satisfied that the outlook for the following twelve months present manageable risk.

Based upon the above analysis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

John Nixon Limited

Directors' report (continued)

Dividends

The results for the year are set out in detail on page 11. Dividends totalling £153,816 (2019: £153,816) were paid to shareholders during the year. No final dividend is proposed for the year ended 31 December 2020. The profit for the year of £632,093 (2019: Loss of £681,141) minus dividends of £153,816 (2019: £153.816) has been transferred to reserves.

Directors

The directors who served during the year and to the date of this report were as follows:

J Nixon
G R Nixon
N McDiarmid
K M Blackwood
T D King
A L Blackwood
B J Brown
S J Smith
C E Nixon
M A Hayward (appointed 18 February 2020)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, company notice boards and online communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Energy and carbon reporting

We have reported on all sources of greenhouse gas emission and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

	2020 Kwh 000's	2020 Tonnes of CO2
Emissions from gas purchased for own use	1,205	222
Emissions from electricity purchased for own use	1,439	334
Emissions from combustion of fuel for transport purposes	12,582	293
Emissions from external hauliers used for transport purposes	695	172
Emissions from business travel in company, rental, and employee-owned vehicles	7,398	16
Total	23,319	1,039

	2020 Kwh	2020 Tonnes of CO_2
Intensity Ration per £100k turnover	0.340	0.015

The company's energy and carbon footprint covers scope 1,2 and 3 emissions from 1 January 2020 to 31 December 2020. The footprint is calculated using the most up to date conversion factors from the Department for Business, Energy, and Industrial Strategy.

The strategic report contains further information on environmental stakeholder engagement by the Board. The aim as a company is to reduce our carbon footprint by 10% year on year in line with being carbon neutral by 2025.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

N McDiarmid

Director
30th June 2021

City West Business Park
Scotswood Road
Newcastle upon Tyne
NE4 7DF

John Nixon Limited

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of John Nixon Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of John Nixon Ltd (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of John Nixon Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and HMRC VAT guidance; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included COVID-19 regulations.

We discussed among the audit engagement team (including relevant internal specialists such as tax) regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Cut-off of hire revenue:

  reviewed the accounting treatment of turnover relating to hire revenue (as described in note 3 of the financial statements), alongside consideration of agent vs. principal arrangements;

  performed detailed testing on the ledger balances, specifically by tracing back to invoice to ensure that the hire revenue has been recognised in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul H Hewitson

Paul Hewitson FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Newcastle, United Kingdom

30 June 2021

John Nixon Limited

Profit And Loss Account
For the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	67,659,301	76,608,097
Cost of sales		(46,580,313)	(53,017,545)
Gross profit		21,078,988	23,590,552
Administrative expenses		(19,776,636)	(22,222,321)
Other operating income		1,651,219	32,331
Operating profit		2,953,571	1,400,562
Finance costs (net)	4	(2,201,079)	(2,075,987)
Profit/(Loss) before taxation	5	752,492	(675,425)
Tax on profit/(loss)	9	(561,673)	(5,716)
Profit/(Loss) for the financial year		190,819	(681,141)

All of the company's results are derived from continuing operations.

John Nixon Limited

Balance sheet
As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	672,040	1,053,029
Tangible assets	12	71,976,797	91,249,719
		72,648,837	92,302,748
Current assets			
Stocks	13	412,673	838,122
Debtors	14	13,570,134	16,177,010
Cash at bank and in hand		7,313,685	2,104,687
		21,296,492	19,119,819
Creditors: Amounts falling due within one year	15	(30,039,862)	(37,340,735)
Net current liabilities		(8,743,370)	(18,220,916)
Total assets less current liabilities		63,905,467	74,081,832
Creditors: Amounts falling due after more than one year	16	(32,044,485)	(42,822,991)
Provisions for liabilities	17	(3,930,687)	(3,365,549)
Net assets		27,930,295	27,893,292
Capital and reserves			
Called-up share capital	19	103,020	103,020
Profit and loss account		27,827,275	27,790,272
Shareholders' funds		27,930,295	27,893,292

The financial statements of John Nixon Limited (registered number 00921639) were approved by the board of directors and authorised for issue on 30TH JUNE 2021. They were signed on its behalf by:

N McDiarmid
Director

City West Business Park
Scotswood Road
Newcastle upon Tyne
NE4 7DF

John Nixon Limited

Statement of changes in equity
For the year ended 31 December 2020

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2019	103,020	28,625,229	28,728,249
Loss for the year and total comprehensive income	-	(681,141)	(681,141)
Dividends paid on equity shares (note 10)	-	(153,816)	(153,816)
At 31 December 2019	103,020	27,790,272	27,893,292
Profit for the year and total comprehensive income	-	190,819	190,819
Dividends paid on equity shares (note 10)	-	(153,816)	(153,816)
At 31 December 2020	103,020	27,827,275	27,930,295

John Nixon Limited

Cashflow Statement
For the year ended 31 December 2020

	Note	2020 £	2019 £
Net cash flows from operating activities	20	22,459,930	10,013,829
Cash flows from investing activities			
Proceeds from sale of equipment		10,570,469	16,190,977
Purchase of equipment		(2,695,896)	(242,866)
Purchase of intangible fixed assets		(12,320)	(777,037)
Interest received		6,074	22,455
Net cash flows from investing activities		7,868,327	15,193,529
Cash flows used in financing activities			
Dividends paid		(153,816)	(153,816)
Repayments of borrowings		(112,251)	(159,343)
Repayments of obligations under finance lease		(17,174,431)	(29,586,974)
New borrowings advanced		-	4,086,242
Interest Paid		(2,208,740)	(2,116,816)
Net cash flows used in financing activities		(19,649,238)	(27,930,707)
Net (decrease)/increase in cash and cash equivalents		10,679,019	(2,723,349)
Cash and cash equivalents at beginning of year		(3,365,334)	(641,985)
Cash and cash equivalents at end of year		7,313,685	(3,365,334)

Analysis of Changes in Net Debt	At 31 Dec 2019 £	Cashflows £	New Finance Leases £	At 31 Dec 2020 £
Cash and cash equivalents				
Cash at bank and at hand	2,104,687	2,202,650	-	4,307,337
Invoice finance facility	(5,470,021)	8,476,369	-	3,006,348
	(3,365,334)	10,679,019	-	7,313,685
Borrowings				
Bank loan (note 15 & 16)	(1,434,256)	46,021	-	(1,388,235)
Finance leases (note 15 & 16)	(63,167,326)	17,174,431	(1,598,622)	(47,591,517)
At 31 December 2020	(64,601,582)	17,220,452	(1,598,622)	(48,979,752)
Total Net Debt	(67,966,916)	27,899,471	(1,598,622)	(41,666,067)

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

John Nixon Limited is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The company is registered in England and the address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2-6.

The financial statements have been prepared under the historical cost convention modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of John Nixon Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The financial statements are also presented in pounds sterling.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The Strategic Report and the Directors' Report further describe the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through an invoice financing facility secured against trade debtors. The company also finances its operations via a combination of hire purchase finance (repayable between 1 to 5 years) and a term loan secured over land and buildings as per note 15.

The company continues to proactively manage working capital needs and the directors consider that following their review of the company's investment in the hire fleet to date, the business is well placed to react to changing market conditions. As a consequence, the directors believe that the company will be able to manage its business and liquidity risks.

The directors have considered the principal risks to the business and the threats to the business continuing to operate as a going concern for the 12 month period following the balance sheet date as set out below:

Trading risk - Whilst recent economic conditions have continued to create uncertainty over the level of demand for the company's products, the company has generally seen demand for products increase and a rise in utilisation over the last 18 months. Given the current Covid-19 pandemic, the directors have also considered the impact if trading results are significantly below expectations. The company has sufficient borrowing headroom to be able to continue trading even if hire revenue were to fall by 20%. Construction output in March 2021 was 2.4% above the February 2020 pre-pandemic level. The Directors consider that the risk of a decline in sales to be remote.

Availability of finance risk - The business model relies on the availability of hire purchase funding and as described in note 15, the company has a mix of financiers. The directors report that, for the period since 31 December 2020 to the date of this report, funding has continued to be available on acceptable terms when required. Should hire purchase funding become unavailable then the Directors would mitigate this risk by curtailing the capital expenditure programme. Purchases are made on a relatively short term planning horizon, typically 6 months. The Directors consider that the quality of the current hire fleet would be sufficient to sustain the business with in the medium term should such a curtailment to the programme prove necessary.

Interest rate risk - The directors consider that any future changes in rates would not have a significant effect on profitability. All of the company's hire purchase borrowings are at interest rates which are fixed for the duration of the agreement. The Directors considered the impact of increases to interest rates on the interest payable on the term loan to be small (see note 15).

1. Accounting policies (continued)

Credit risk - The company's principal financial assets are bank balances and cash, and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The company has no significant concentration of credit risk, with exposure spread over a significant number of counterparties and customers. The directors have analysed the customer base and note that in 2020 the largest customer represented only 3.8% of revenue. The directors have reviewed the customer base and consider that the company is not overly exposed to any geographical region, segment, sector or customer.

Inflation risk – The directors have considered the effect of future inflation on the business. The Bank of England upper limits for inflation for the next twelve months fall within the sensitivities modelled. The directors are satisfied that the outlook for the following twelve months present manageable risk.

Based upon the above analysis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	2% straight line per annum
Short leasehold land and buildings	Over the length of the lease
Plant, office furniture and vehicles	10% - 33% straight line per annum
Plant for hire	5% - 100% straight line per annum

Depreciation is charged in the profit and loss to cost of sales and administration expenses.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The carrying value of fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets and other intangibles

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided on all intangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	33% - 50% straight line per annum
Goodwill	20% straight line per annum

Depreciation is charged in the profit and loss to administration expenses.

Investment property

Land and buildings which are not used for trading purposes are held as investment properties and are recorded at market value. Any increase or decrease in valuation is recorded in the profit and loss account.

Purchase of goodwill

Purchased goodwill is capitalised in the year in which it arises and amortised over its useful life up to a maximum of 5 years with a full year's charge for amortisation in the year of acquisition. The directors regard 4/5 years to be reasonable to match the contract/life of what was purchased.

1. Accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Stocks

Stocks consist of goods for resale and consumables and are valued at the lower of cost and net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. Net realisable value is based on estimated selling price less all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

1. Accounting policies (continued)

Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit or loss account. If an asset appreciates in value, we would not recognise the increase in value in the profit or loss account.
Impairment is charged in the profit and loss to cost of sales and administration expenses.

See note 5 for details of the impairment charged to the profit and loss account during the year ended 31 December 2020. The impairment of intangible assets and goodwill arose as a result of the closure of a number of depots. The impairment of tangible fixed assets arose on the revaluation of an investment property.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax 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 at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (deferred) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be deferred (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

Turnover is recognised as goods are delivered and services rendered to customers. Where turnover relates to hire activities, revenue is recognised on a straight-line basis over the period of hire. Turnover arising from the sale of assets is recognised when the asset is delivered to or collected by the customer and a signed goods receipt note is received. Turnover arising from the provision of services to customers is recognised upon completion of the relevant work.

1. Accounting policies (continued)

The turnover and pre-tax profit, which arises in the United Kingdom, are attributable to the company's principal activity.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Interest Receivable

Interest receivable represents amounts due to the company in respect of finance leases and is recognised in the period to which it relates.

Interest Payable

Interest payable represents amounts due from the company in respect of finance leases and debt and is recognised in the period to which it relates.

Other Operating Income

Rental income from property due to the company is recognised in the period to which it relates.

Government grants receivable during the year in respect of the Coronavirus Job Retention Scheme are recognised under the accruals convention in the period to which they relate.

Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

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

Leases

The company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors' assessment is that there are no critical judgements that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of tangible and intangible assets

Upon identification of an impairment indicator, management would determine whether tangible or intangible assets were impaired by an estimation of their value in use to the company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value.

Doubtful debt provision

On a monthly basis management utilise internal tools and external credit reference agencies to assist in a review of current debtor balances to determine their collectability. Upon identification of doubtful debts the company makes an appropriate provision based on the individual circumstances. At the balance sheet date an amount of £256,758 has been provided for as a doubtful debt provision.

Notes to the financial statements (continued)
For the year ended 31 December 2020

3. Turnover

An analysis of the company's turnover by class of business is set out below.

	2020	2019
	£	£
Hire Revenue	47,691,026	49,311,942
Service Revenue	7,222,965	9,189,046
Hire Fleet Sales	9,960,719	15,625,130
Sales of New Equipment and Parts	2,784,591	2,481,979
	67,659,301	76,608,097

All revenue is derived from trading in the United Kingdom and thus the directors do not deem it necessary to provide a geographical split of revenue.

4. Finance costs (net)

	2020	2019
	£	£
Interest payable and similar expenses	2,207,153	2,098,441
Interest receivable and similar income	(6,074)	(22,454)
	2,201,079	2,075,987

Interest receivable and similar income

	2020	2019
	£	£
Finance leases	6,074	22,454
	6,074	22,454

Interest payable and similar expenses

	2020	2019
	£	£
Bank loans and invoice finance facility	65,449	130,178
Finance leases and hire purchase contracts	2,141,704	1,968,263
	2,207,153	2,098,441

Notes to the financial statements (continued)
For the year ended 31 December 2020

5. (Loss)/Profit before taxation

Profit/(Loss) before taxation is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of owned tangible fixed assets (note 12)	4,990,273	6,524,164
Depreciation of leased tangible fixed assets (note 12)	9,631,536	9,322,980
Amortisation of intangible fixed assets (note 11)	392,417	362,606
Impairment of intangible fixed assets (note 11)	-	196,171
Impairment of tangible fixed assets (note 12)	45,088	-
Operating lease rentals	1,134,931	1,184,075
Cost of stock recognised as an expense	2,476,993	2,114,574
Impairment of stock recognised as an expense (included within cost of sales)	25,828	42,435
Profit on disposal of fixed assets	(1,669,035)	(2,520,541)
Rent receivable	(37,452)	(32,331)
Foreign exchange losses	(784)	46,252
Government grant (included within other operating income)	1,613,767	-

The impairment of intangible assets and goodwill arose as a result of the closure of a number of depots. The impairment of tangible fixed assets arose on the revaluation of an investment property.

The government grant represents amounts receivable during the year in respect of the Coronavirus Job Retention Scheme.

6. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the company's annual financial statements were £60,000 (2019: £47,500).

Fees payable to Deloitte LLP for non-audit services to the company were:

For tax compliance services £23,825 (2019: £19,800).

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Workshop and Stores	316	350
Administration	205	212
	521	562

Notes to the financial statements (continued)
For the year ended 31 December 2020

7. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	14,917,751	16,246,888
Social security costs	1,439,750	1,570,010
Other pension costs	557,172	595,171
	16,914,673	18,412,069

8. Directors' remuneration and transactions

Directors' remuneration	2020 £	2019 £
Emoluments	1,343,095	1,249,400
Company contributions to money purchase pension schemes	24,686	15,921
	1,367,781	1,265,321

	2020 Number	2019 Number
The number of directors who:		
Are members of a money purchase pension scheme	7	6

	2020 £	2019 £
Remuneration of the highest paid director:		
Emoluments	233,904	240,667
Accrued pension	-	-
Lump sum	-	-

Directors' advances, credits and guarantees

Details of transactions with directors during the year are disclosed in note 23.

9. Tax on profit

The tax charge comprises:	2020 £	2019 £
Current tax		
UK corporation tax on profits for the period	-	(58,581)
Adjustment in respect of previous periods	(2,115)	-
Total current tax	(2,115)	(58,581)
Deferred tax		
Origination and reversal of timing differences	203,004	87,867
Adjustment in respect of previous periods	133	(14,319)
Effect of changes in tax rates	360,651	(9,251)
Total deferred tax	563,788	64,297
Total tax per Income Statement	561,673	5,716

The charge for the year can be reconciled to the (profit/(loss) per income statement as follows:

Profit/(Loss) for the period	752492	(675,425)
Tax on (loss)/profit at standard UK tax rate of 19% (2019: 19%)	142,973	(128,331)
Effects of:		
Expenses not deductible	54,278	133,805
Effects of other reliefs	-	23,781
Gains/ rollover relief	5,751	31
Adjustment from previous periods	(1,982)	(14,319)
Tax rate changes	360,653	(9,251)
Tax charge for the year	561,673	5,716
Income tax expense reported in the Income Statement	561,673	5,716

The rate of UK corporation tax for the current year was 19% (2019: 19%). The reduction in the rate to 17% that was expected to be effective from 1 April 2020 (enacted by Finance Act 2016) has now been cancelled and the rate will remain at 19% for the foreseeable future.

Notes to the financial statements (continued)
For the year ended 31 December 2020

10. Dividends on equity shares

Amounts recognised as distributions to equity holders:

	2020 £	2019 £
A Ordinary Shares (39.6p (2019: 39.6p) per share)	153,816	153,816
D Ordinary Shares (nil (2019: nil) per share)	-	-
F Ordinary Shares (nil (2019: nil) per share)	-	-
G Ordinary Shares (nil (2019: nil) per share)	-	-
	153,816	153,816

No final dividend is proposed for the year ended 31 December 2020 (2019: Nil).

11. Intangible fixed assets

	Other Intangible Assets £	Goodwill £	Computer Software £	Total £
Cost				
At 1 January 2019	600,000	1,160,680	231,380	1,992,060
Additions	-	-	12,320	12,320
Disposals	-	-	(110,373)	(110,373)
At 31 December 2020	600,000	1,160,680	133,327	1,894,007
Amortisation				
At 1 January 2019	190,697	548,544	199,790	939,031
Charge for the year	153,489	209,278	29,650	392,417
On disposal	-	-	(109,481)	(109,481)
At 31 December 2020	344,186	757,822	119,959	1,221,967
Net book value				
At 31 December 2020	255,814	402,858	13,368	672,040
At 31 December 2019	409,303	612,136	31,590	1,053,029

The amortisation charge for the year is included within administrative expenses in the profit and loss account.

John Nixon Limited

Notes to the financial statements (continued)
For the year ended 31 December 2020

12. Tangible fixed assets

	Investment Property £	Freehold Land and Buildings £	Short Leasehold Land and Buildings £	Plant, office furniture & vehicles £	Plant for hire £	Total £
Cost						
At 1 January 2020	-	2,534,566	927,119	14,918,349	122,799,704	141,179,738
Additions	-	-	8,175	176,491	4,109,852	4,294,518
Disposals		(158,615)	(29,655)	(1,730,094)	(17,860,119)	(19,778,483)
Reclassification	466,335	(466,335)	-	-	-	-
At 31 December 2020	466,335	1,906,616	905,639	13,364,746	109,049,437	125,695,773
Depreciation						
At 1 January 2020	-	1,548,098	364,422	8,126,446	39,891,053	49,930,019
Charge for the year	-	67,777	144,364	2,103,402	12,306,266	14,621,809
Disposals	-	(144,048)	(29,655)	(1,477,726)	(9,226,511)	(10,877,940)
Reclassification	121,247	(121,247)	-	-	-	-
Revaluation	45,088	-	-	-	-	45,088
At 31 December 2020	166,335	1,350,580	479,131	8,752,122	42,970,808	53,718,976
Net book value						
At 31 December 2020	300,000	559,036	426,508	4,612,624	66,078,629	71,976,797
At 31 December 2019	-	986,468	562,697	6,791,903	82,908,651	91,249,719

Assets held under finance leases included above:

Net book value						
At 31 December 2020	-	-	-	3,544,761	54,726,942	58,271,703
At 31 December 2019	-	-	-	5,374,755	68,006,135	73,380,890

i. Assets held under finance leases

Included within the above are fixed assets with a net book value of £58,281,703 (2019: £73,380,890) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £9,631,536 (2019: £9,322,980) was charged on these assets.

Where the company acquires assets under finance leases the agreements are repaid over a maximum period of 60 months at a commercial rate of interest. Title to the assets passes to the company either at the end of the agreement or upon earlier settlement.

ii. Freehold and leasehold land and buildings

Freehold land and buildings with a carrying amount of £904,125 (2019: £986,468) have been pledged to secure borrowings of the company. During the year the Sunderland depot has been closed and the property has been leased out. This property has been transferred to an investment property and has been valued by Knight Frank at £300,000.

Notes to the financial statements (continued)
For the year ended 31 December 2020

13. Stocks

	2020 £	2019 £
Raw materials and consumables	351,010	483,814
Finished goods and goods for resale	61,663	354,308
	412,673	838,122

14. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	12,456,522	14,802,981
Corporation tax recoverable	58,581	56,466
Prepayments and accrued income	1,036,370	1,317,563
Other debtors	18,661	-
	13,570,134	16,177,010

Included within prepayments is an amount of £nil (2019: £41,494) relating to amounts due from a finance lease debtor. At the end of each twelve month lease period the lessor has the option to purchase outright the relevant assets from the company:

Imputed "finance lease" obligation for contracts due	2020 £	2019 £
No later than one year	-	47,568
Later than one year, no later than five years	-	-
Later than five years	-	-
	-	47,568
Less: Interest Element	-	(6,074)
Total	-	41,494

15. Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans and invoice finance facility (see note 16)	108,652	6,904,278
Obligations under finance leases and hire purchase contracts (see note 16)	16,826,616	20,344,335
Trade creditors	4,305,323	4,277,640
Other taxes and social security	3,755,536	2,344,308
Other creditors	8,908	56,477
Accruals and deferred income	5,034,827	3,413,697
	30,039,862	37,340,735

In August 2019, the company agreed a £10m sales invoice financing facility secured on the trade debtors and un-invoiced accrued revenue of the business. On switching to the invoice financing facility, the overdraft was repaid. The invoice financing facility is repayable on demand. Interest is charged on the facility at 1.5% over the base rate.

Barclays Bank hold a debenture on the total assets of the business.

The Term Loan matured in September 2020. Barclays renewed this for a further 5 year term. The new repayment profile is over 10 years in equal monthly instalments. Interest is calculated at 2.48% above Bank base rate. The Term Loan is secured by a legal charge on the freehold properties at Sunderland, Stockton, and Newcastle.

16. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Bank loans	1,279,584	-
Obligations under finance leases and hire purchase contracts	30,764,901	42,822,991
	32,044,485	42,822,991

Obligations under finance leases and hire purchase contracts are mainly for the acquisition of equipment for hire and are typically repayable over 60 months.

16. Creditors amounts falling due after more than one year (continued)

Bank loans and invoice finance facility

Borrowings are repayable as follows:

	2020 £	2019 £
Between one and two years	112,154	-
Between two and five years	346,964	-
After five years	820,465	-
On demand or within one year	108,652	6,904,278
	1,388,235	6,904,278
Finance leases		
Between one and two years	14,388,593	16,396,322
Between two and five years	16,376,308	26,426,669
After five years	-	-
On demand or within one year	16,826,616	20,344,335
	47,591,517	63,167,326
Total borrowings including finance leases		
Between one and two years	14,500,747	16,396,322
Between two and five years	16,723,272	26,426,669
After five years	820,465	-
On demand or within one year	16,935,268	27,248,613
	48,979,752	70,071,604

17. Provisions for liabilities

	Deferred taxation £	Other £	Total £
Provision at 1 January 2020	3,065,399	300,150	3,365,549
Increase in the year	-	1,350	1,350
Adjustment in respect of prior years	133	-	133
Deferred tax charged to income statement for the year	563,655	-	563,655
Provision at 31 December 2020	3,629,187	301,500	3,930,687

Deferred tax

Deferred tax is provided as follows:

	2020 £	2019 £
Fixed asset timing differences	3,811,976	3,577,840
Short term timing differences	(100,556)	(106,823)
Losses	(82,233)	(405,618)
	3,629,187	3,065,399
Deferred tax (assets)		
Recoverable within 12 months	(182,789)	(512,437)
	(182,789)	(512,437)
Deferred tax liabilities		
Payable within 12 months	3,811,976	3,577,836
	3,811,976	3,577,836

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority.

Other

Other provisions relate to a dilapidation provision on leasehold properties and other property maintenance provisions. These liabilities will be payable as the leases expire between 1 and 15 years.

18. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2020 £	2019 £
Financial assets (at amortised cost)		
Debt instruments measured at amortised cost		
Trade and other debtors (see note 14)	12,456,522	14,802,981
Imputed Finance Lease (see note 14)	-	41,494
Cash at bank and in hand	7,313,685	2,104,678
	19,770,207	16,949,153

	2020 £	2019 £
Financial liabilities (at amortised cost)		
Measured at amortised cost		
Loans payable (see note 15, 16)	1,388,236	1,434,256
Bank invoice finance facility (see note 15, 16)	-	5,470,022
Trade creditors, accruals and other creditors (see note 15)	9,330,397	7,747,814
Obligations under finance leases (see note 15,16)	47,591,517	63,167,326
	58,310,150	77,819,418

Notes to the financial statements (continued)
For the year ended 31 December 2020

19. Called-up share capital and reserves

	2020 £	2019 £
Allotted, called-up and fully-paid		
1,030,200 ordinary shares of 10p each	103,020	103,020

The company has the following classes of ordinary shares:

387,850 A Ordinary shares of 10p each	38,785	38,785
367,850 B Ordinary shares of 10p each	36,785	36,785
54,900 C Ordinary shares of 10p each	5,490	5,490
54,900 D Ordinary shares of 10p each	5,490	5,490
54,900 E Ordinary shares of 10p each	5,490	5,490
54,900 F Ordinary shares of 10p each	5,490	5,490
54,900 G Ordinary shares of 10p each	5,490	5,490

All share classes carry equal voting rights and have no right to fixed income.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid.

20. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2020 £	2019 £
Operating profit	2,953,571	1,400,562
Adjustment for:		
Depreciation/Amortisation/Impairment (Notes 11 and 12)	15,059,314	16,435,981
Profit on sale of tangible fixed assets (Note 5)	(1,669,035)	(2,520,541)
Taxation	(2)	35,013
Operating cash flow before movement in working capital	16,343,848	15,351,015
Decrease in stocks (Note 13)	425,449	9,787
Decrease/(Increase) in debtors (Note 14)	2,608,992	(3,719,692)
Increase/(Decrease) in creditors (Notes 15 and 16)	3,080,291	(1,659,431)
Increase in provisions (Note 17)	1,350	32,150
Cash generated by operations	22,459,930	10,013,829

Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £1,598,622 (2019: £40,674,392).

Notes to the financial statements (continued)
For the year ended 31 December 2020

21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2020 £	Land and buildings 2019 £
- within one year	430,833	145,975
- between one and five years	1,096,517	1,016,250
- after five years	5,425,447	6,803,017
	6,952,797	7,965,242

22. Employee benefits

The company operates defined contribution pension schemes for all qualified employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £524,320 (2019: £595,171). Contributions totalling £83,881 (2019: £89,494) were payable to the funds at the year end and are included in creditors.

23. Related party transactions

Directors' transactions

Credit transaction with director:

A rent of £20,000 (2019: £20,000) for land that the company operates from was paid to one of the Directors.

A rent of £120,000 (2019: £120,000) for a property that the company operates from was paid to a pension fund of which certain Directors are members.

Other related party transactions

The total remuneration for key management personnel for the period totalled £1,367,781 (2019: £1,265,321).

24. Controlling party

J Nixon, a director of the company, and members of his close family, control the company as a result of controlling, directly or indirectly, 100 per cent of the issued share capital of the company.