

**Scot JCB (Holdings) Limited**

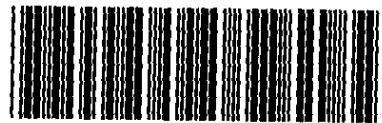
**Annual report and consolidated financial statements**

**For the year ended 31 December 2018**

(SC034905)



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**Company no. SC180256**

**Scot JCB (Holdings) Limited**

**Annual report and consolidated financial statements for the year ended 31 December 2018**

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## **Scot JCB (Holdings) Limited**

### **Strategic report for the year ended 31 December 2018**

The directors present their strategic report on the company for the year ended 31 December 2018.

#### **Review of the business**

The results for the group show a profit before taxation for the year of £3.3 million (2017: £4.4 million) and sales for the year of £173 million (2017: £135 million). Net assets at the end of the year were £30.3 million (2017: £28.7 million). During the year the company acquired the entire share capital of A M Phillip Agritech Limited, a long established agricultural machinery dealer. The operational activity of that company has now been hived up into Scot JCB Limited, retaining "A M Phillip Agritech" as the trading name.

The market during 2019 has been extremely competitive, however, we expect results for the full year to be satisfactory.

#### **Principal risks and uncertainties**

The main uncertainty facing the business is fluctuating demand for our products.

#### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

#### **Financial risk management**

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors review and agree policies for managing the above risks and these are summarised below. The directors will revisit the appropriateness of these policies should the company's operations change in size or nature.

#### **Credit risk**

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

**Scot JCB (Holdings) Limited**

**Strategic report for the year ended 31 December 2018 (continued)**

**Liquidity risk**

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient available funds for all needs for the foreseeable future. This consists of bank overdraft and stocking loans

**Interest rate risk**

The company has both interest bearing assets and interest bearing liabilities. The only interest bearing assets are cash balances, which earn interest at variable rates linked to base rates. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis using bank and other borrowings as agreed by the directors. All borrowings are in sterling.

On behalf of the Board



S K Barker  
Director

30 September 2019

## **Scot JCB (Holdings) Limited**

### **Directors' report for the year ended 31 December 2018**

The directors present their annual report together with the audited consolidated financial statements of the company and the group for the year ended 31 December 2018.

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements were as follows:

S C J Bryant  
D M Donoghue  
S K Barker  
D Park  
R J Bryant  
S I Bryant  
R C Cameron (appointed 17 December 2018)

#### **Dividends**

The directors paid an interim dividend amounting to a total of £902,843 (2017: £806,728).

The directors do not recommend the payment of a final dividend (2017: £nil).

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

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

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

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

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

**Scot JCB (Holdings) Limited**

**Directors' report for the year ended 31 December 2018 (continued)**

**Statement of directors' responsibilities (continued)**

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

**Directors' confirmations**

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

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


**Directors' indemnity**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on behalf of the Board

  
S K Barker  
Director

30 September 2019

## **Scot JCB (Holdings) Limited**

### **Independent auditors' report to the members of Scot JCB (Holdings) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Scot JCB (Holdings) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: the Group and company balance sheets as at 31 December 2018; the Group statement of income and retained earnings, and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies..

##### **Basis for opinion**

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

##### ***Independence***

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

##### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

## **Scot JCB (Holdings) Limited**

### **Independent auditors' report to the members of Scot JCB (Holdings) Limited (continued)**

#### **Report on the audit of the financial statements (continued)**

##### **Conclusions relating to going concern (continued)**

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

##### **Reporting on other information**

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

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

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

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

##### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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



## **Scot JCB (Holdings) Limited**

### **Independent auditors' report to the members of Scot JCB (Holdings) Limited (continued)**

#### **Report on the audit of the financial statements (continued)**

##### **Responsibilities for the financial statements and the audit**

###### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

###### *Auditors' responsibilities for the audit of the financial statements*

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

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

###### *Use of this report*

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

**Scot JCB (Holdings) Limited**

**Independent auditors' report to the members of Scot JCB (Holdings) Limited (continued)**

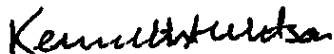
**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
30 September 2019

**Scot JCB (Holdings) Limited**

**Group statement of income and retained earnings for the year ended 31 December 2018**

	<b><u>2018</u></b> <b><u>£'000</u></b>	<b><u>2017</u></b> <b><u>£'000</u></b>
Turnover (note 4)	173,171	135,420
Cost of sales	<u>(154,005)</u>	<u>(119,506)</u>
Gross profit	19,166	15,914
Administrative expenses	<u>(15,398)</u>	<u>(11,381)</u>
Operating profit (note 5)	3,768	4,533
Interest receivable and similar income (note 6)	3	-
Interest payable and similar expenses (note 7)	<u>(434)</u>	<u>(162)</u>
Profit before taxation	3,337	4,371
Tax on profit (note 10)	<u>(794)</u>	<u>(898)</u>
Profit for the financial year	2,543	3,473
Retained earnings at 1 January	28,525	25,859
Dividends paid (note 11)	<u>(903)</u>	<u>(807)</u>
Retained earnings at 31 December	<u>30,165</u>	<u>28,525</u>

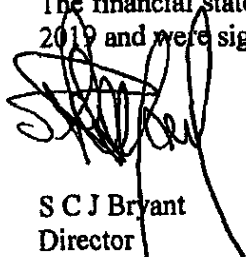
**Scot JCB (Holdings) Limited**

**Group and company balance sheets as at 31 December 2018**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>				
Intangible assets (note 12)	-	-	-	-
Tangible assets (note 13)	7,421	3,315	-	-
Investments (note 14)	-	-	2,828	698
	<u>7,421</u>	<u>3,315</u>	<u>2,828</u>	<u>698</u>
<b>Current assets</b>				
Stocks (note 15)	31,088	18,708	-	-
Debtors (note 16)	22,076	17,866	6,623	8,840
Cash at bank and in hand	8	4	-	-
	<u>53,172</u>	<u>36,578</u>	<u>6,623</u>	<u>8,840</u>
<b>Creditors: amounts falling due within one year (note 18)</b>	<u>(27,352)</u>	<u>(10,790)</u>	<u>(3,150)</u>	<u>(3,480)</u>
<b>Net current assets</b>	<u>25,820</u>	<u>25,788</u>	<u>3,473</u>	<u>5,360</u>
<b>Total assets less current liabilities</b>	<b>33,241</b>	<b>29,103</b>	<b>6,301</b>	<b>6,058</b>
<b>Creditors: amounts falling due after one year (note 19)</b>	<u>(2,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Provisions for liabilities (note 21)</b>	<u>(476)</u>	<u>(428)</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>30,315</u>	<u>28,675</u>	<u>6,301</u>	<u>6,058</u>
<b>Capital and reserves</b>				
Called up share capital (note 23)	72	72	72	72
Capital redemption reserve (note 24)	78	78	78	78
Retained earnings (note 24)	30,165	28,525	6,151	5,908
<b>Total shareholders' funds</b>	<u>30,315</u>	<u>28,675</u>	<u>6,301</u>	<u>6,058</u>

The notes on pages 12 to 28 are an integral part of these financial statements.

The financial statements on pages 9 to 28 approved by the board of directors on 30 September 2019 and were signed on its behalf by:



S C J Bryant  
Director

Company registration number SC180256

**Scot JCB (Holdings) Limited**

**Consolidated statement of cash flows for the year ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
<b>Net cash (used in)/generated from operating activities (note 25)</b>	<b>(8,751)</b>	<b>5,636</b>
Taxation paid	<u>(920)</u>	<u>(743)</u>
<b>Net cash (used in)/generated from operating activities</b>	<b><u>(9,671)</u></b>	<b><u>4,893</u></b>
 <b>Cash flow from investing activities</b>		
Purchase of subsidiary (net of cash acquired)	(2,130)	-
Purchase of tangible assets	(4,585)	(1,605)
Proceeds from disposals of tangible assets	99	71
Interest received	<u>3</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<b><u>(6,613)</u></b>	<b><u>(1,534)</u></b>
 <b>Cash flow from financing activities</b>		
Bank borrowings	3,150	-
Dividends paid	(903)	(807)
Interest (paid)	<u>(434)</u>	<u>(162)</u>
<b>Net cash flow from financing activities</b>	<b><u>1,813</u></b>	<b><u>(969)</u></b>
 <b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(14,471)</b>	<b>2,390</b>
Cash and cash equivalents at the start of the year	<u>(3,283)</u>	<u>(5,673)</u>
Cash and cash equivalents at the end of the year	<b><u>(17,754)</u></b>	<b><u>(3,283)</u></b>
 <b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand	8	4
Overdraft and stocking loan		
(included in creditors - amounts due within one year)	<u>(17,762)</u>	<u>(3,287)</u>
<b>Cash and cash equivalents</b>	<b><u>(17,754)</u></b>	<b><u>(3,283)</u></b>

## **Scot JCB (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2018**

#### **1 General information**

Scot JCB (Holdings) Limited is a dealer in construction and agricultural machinery trading through a number of branches in the UK. The company is a private limited company incorporated in Scotland and the registered office is 400 Townmill Road, Glasgow, G31 3AR.

#### **2 Statement of compliance**

The consolidated and individual financial statements of Scot JCB (Holdings) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 Significant accounting policies**

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

##### **a) Basis of accounting**

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of later in this note.

##### **b) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of Scot JCB (Holdings) Limited which are publicly available.

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018**

**3 Significant accounting policies (continued)**

**b) Exemptions for qualifying entities under FRS 102 (continued)**

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and

**c) Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- i) **Useful economic lives of assets**  
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually and amended when necessary to reflect the current physical condition and economic utilisation of the assets. The carrying values of the assets are shown in note 13.
- ii) **Stock valuation**  
Stock is assessed annually to reflect current market values taking into account the stock age and condition and the likelihood of selling the items at or above their historic cost. Where necessary provision is made to reduce the carrying value accordingly.
- iii) **Warranty obligations**  
Liabilities are recognised in the accounts in the period in which the obligation is established and are re-assessed annually to reflect the latest estimate of future costs.

## **Scot JCB (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **3 Significant accounting policies (continued)**

##### **d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. Results of subsidiary undertakings are included from the effective date of acquisition and accounted for under the acquisition method of accounting.

##### **e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and value added tax

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer.

##### **f) Interest payable and interest receivable**

Interest payable and receivable is accounted for on an accruals basis in the profit and loss account.

##### **g) Taxation**

The charge for taxation is based on the result for the year.

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Deferred tax is measured on a non-discounted basis.



## **Scot JCB (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **3 Significant accounting policies (continued)**

##### **h) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. 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 at rates which are calculated to write down the cost of the assets over their useful economic lives by annual instalments as follows:

Freehold land	-	0%
Freehold buildings	-	2% straight line
Leasehold buildings	-	over the term of the lease
Vehicles	-	33% reducing balance
Fixtures, fittings and computers	-	33% straight line and 25% reducing balance

##### **i) Intangible assets - goodwill**

Goodwill arising on the acquisition of subsidiaries, representing any excess of the consideration over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is three years.

##### **j) 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 and in general is determined on a first in first out basis. Net realisable value is the actual or estimated selling price less all further costs to completion, selling and distribution expenses. Where necessary, provision is made for obsolete, slow moving or defective stocks.

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

##### **k) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

## **Scot JCB (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **3 Significant accounting policies (continued)**

##### **l) Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Specific provisions are made in relation to buy-back agreements and warranty provisions based upon any losses expected to arise from buy-back arrangements and the historical after sales costs respectively.

##### **m) Operating leases**

Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

##### **n) Financial assets**

###### **(i) Classification**

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade, contractual loans and cash on the balance sheet.

###### **(ii) Recognition and measurement**

Loans and trade and other receivables are initially recognised at fair value based on the amounts exchanged and are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Loans and trade and other receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**3 Significant accounting policies (continued)**

**o) Financial liabilities**

**(i) Classification**

The Company classifies its financial liabilities as other financial liabilities at amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

**(ii) Recognition and measurement**

Financial liabilities are initially recognised at fair value, and then subsequently at amortised cost using the effective interest rate method.

**p) Pension costs**

The group operates defined contribution pension schemes for its employees, including its directors. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the schemes are charged to the profit and loss account as incurred.

**4 Turnover**

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

**Scot JCB (Holdings) Limited****Notes to the financial statements for the year ended 31 December 2018 (continued)****5 Operating profit**

Operating profit is stated after charging / (crediting):

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Depreciation of tangible fixed assets - owned assets	787	571
- leased assets	24	23
Amortisation of goodwill	540	-
Services provided by the company's auditors:		
Fees payable for the audit *	26	30
Fees payable for other services - tax compliance	20	22
Staff costs (note 8)	15,183	12,153
(Profit) on sale of tangible fixed assets	(28)	(26)
Operating leases - land and buildings	263	272
* £1,000 of this relates to the company.		

**6 Interest receivable and similar income**

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Bank interest receivable	3	-

Interest receivable relates to cash on deposit.

**7 Interest payable and similar expenses**

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Interest payable on bank loans, overdrafts and stocking loans	434	162

Interest is payable at commercial rates which are variable in line with base rate movements.

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**8 Staff costs and numbers**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,280	10,478
Social security costs	1,332	1,181
Other pension costs	571	494
	<b>15,183</b>	<b>12,153</b>

The average monthly number of employees during the year, including directors, analysed by category, was as follows :

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Office and management	104	90
Sales and technical	234	184
	<b>338</b>	<b>274</b>

The company has no employees (2017: nil)

**9 Remuneration of directors**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments of the directors	1,675	1,517
Company contributions to money purchase pension schemes	160	160
	<b>1,835</b>	<b>1,677</b>

Retirement benefits are accruing to six (2017: six) directors under a money purchase pension scheme.

**Highest paid director**

Aggregate emoluments	<b>363</b>	<b>353</b>
	<b>363</b>	<b>353</b>

Emoluments of all directors of the company are borne by Scot JCB Limited.

The directors are considered to be the key management of the business.

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**10 Tax on profit**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax	921	902
Adjustments in respect of prior year	(57)	2
<b>Total current tax</b>	<b>864</b>	<b>904</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(70)	(6)
<b>Total deferred tax</b>	<b>(70)</b>	<b>(6)</b>
<b>Total tax on profit</b>	<b>794</b>	<b>898</b>

The tax assessed for the year is lower (2017: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%).

The differences are explained below :

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	3,337	4,371
Profit before taxation multiplied by standard rate in the UK of 19% (2017: 19.25%)	634	841
Effects of:		
Expenses not deductible for tax purposes	49	48
Short term timing differences	90	7
Transfer pricing adjustment	(227)	-
Unrecognised tax losses carried forward	305	-
Adjustments to tax charge in respect of previous year	(57)	2
<b>Total tax charge for the year</b>	<b>794</b>	<b>898</b>

Further reductions to the UK Corporation tax rate were substantively enacted as part of the Finance (No 2) Act 2018. These reduce the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities have been updated to reflect the reduction in the rate.

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**11 Dividends paid**

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
<b>Equity - Ordinary</b>		
Interim Paid:	<u>903</u>	<u>807</u>

**12 Intangible assets – group**

	<b>Goodwill</b>
	<u>£'000</u>
<b>Cost</b>	
At 1 January 2018	348
Additions	<u>540</u>
<b>At 31 December 2018</b>	<u>888</u>
<b>Accumulated amortisation</b>	
At 1 January 2018	348
Charge for year	<u>540</u>
<b>At 31 December 2018</b>	<u>888</u>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<u>-</u>
<b>At 31 December 2017</b>	<u>-</u>

**13 Tangible assets - group**

	<b>Land and Buildings</b>		<b>Fixtures, Fittings and</b>		
	<b>Freehold</b>	<b>Leasehold</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Total</b>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Cost</b>					
At 1 January 2018	753	1,731	3,421	448	6,353
Additions	3,743	135	602	105	4,585
Acquisitions	-	86	231	86	403
Disposals	-	-	(315)	-	(315)
<b>At 31 December 2018</b>	<u>4,496</u>	<u>1,952</u>	<u>3,939</u>	<u>639</u>	<u>11,026</u>
<b>Accumulated depreciation</b>					
At 1 January 2018	198	420	2,044	376	3,038
Charge for year	80	24	644	63	811
Disposals	-	-	(244)	-	(244)
<b>At 31 December 2018</b>	<u>278</u>	<u>444</u>	<u>2,444</u>	<u>439</u>	<u>3,605</u>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<u>4,218</u>	<u>1,508</u>	<u>1,495</u>	<u>200</u>	<u>7,421</u>
<b>At 31 December 2017</b>	<u>555</u>	<u>1,311</u>	<u>1,377</u>	<u>72</u>	<u>3,315</u>

Leasehold properties are all long term leases. The company had no tangible fixed assets at 31 December 2017 and 31 December 2018.

## Scot JCB (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 14 Investments – company

	£'000
Cost at 1 January 2018	698
Additions	2,130
Cost at 31 December 2018	<u>2,828</u>

On 2 May 2018 the Company acquired 100% of the share capital of A M Phillip Agritech Limited for a cash consideration of £2,130,140. Refer to note 31 for more details.

The company owns the whole issued share capital and all voting rights of the undernoted companies:

Scot JCB Limited	Registered in Scotland	No. SC 51692
Stewart Plant Sales Limited	Registered in Scotland	No. SC 34905
Scot Industrial Air Limited *	Registered in Scotland	No. SC 46979
Kelso and Lothian Harvesters Limited	Registered in Scotland	No. SC 169647
A M Phillip Agritech Limited	Registered in Scotland	No. SC 287763

The registered office of all the above mentioned companies is Townmill Road, Glasgow G31 3AR.

Scot JCB Limited is engaged in the distribution of equipment to construction, agricultural and industrial markets. Scot Industrial Air Limited has not traded in this or the prior year.

No profit or loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006. The profit before taxation dealt with in the financial statements of the parent company was £79,810 (2017: £62,828). The profit after tax including dividends of £1,201,669 (2017: £5,525,000) from subsidiary undertakings was £1,066,516 (2017: £5,575,734).

The profit and loss accounts of all subsidiaries are included in the group profit and loss account.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

\* 100% interest held by subsidiary company



# **Scot JCB (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2018 (continued)**

### **15 Stocks**

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Consumables and goods for resale	30,241	18,194
Work in progress	847	514
	<u>31,088</u>	<u>18,708</u>

The company had no stocks at 31 December 2017 and 31 December 2018.

Stock recognised in cost of sales as an expense was £146,214,000 (2017: £114,459,000).

### **16 Debtors**

	<u>2018</u>		<u>2017</u>	
	<u>Company</u>	<u>Group</u>	<u>Company</u>	<u>Group</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	-	21,304	-	17,756
Deferred tax (note 17)	-	102	-	4
Amounts owed by group undertakings	6,251	-	8,837	-
Prepayments and accrued income	372	670	3	106
	<u>6,623</u>	<u>22,076</u>	<u>8,840</u>	<u>17,866</u>

Amounts owed by group undertakings do not accrue interest and are repayable on demand.

### **17 Deferred tax**

The deferred tax asset has arisen as follows :

	<u>2018</u>	<u>2017</u>
	<u>Group</u>	<u>Group</u>
	<u>£'000</u>	<u>£'000</u>
Origination and reversal of timing differences (Accelerated capital allowances and other)	102	4
Total	<u>102</u>	<u>4</u>
At start of the year	4	(2)
Deferred tax credit in profit and loss account	98	6
Deferred tax asset / (liability) at end of the year	<u>102</u>	<u>4</u>

**Scot JCB (Holdings) Limited**

**Notes to the financial statements for the year ended 31 December 2018 (continued)**

**18 Creditors: amounts falling due within one year**

	<u>2018</u>		<u>2017</u>	
	Company	Group	Company	Group
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank loans and overdrafts	2,200	18,462	2,678	3,287
Trade creditors	183	6,803	110	4,325
Amounts owed to group undertakings	54	-	234	-
Corporation tax	146	516	11	572
Other taxation and social security	567	731	447	1,345
Other creditors	-	766	-	1,170
Accruals and deferred income	-	74	-	91
	<u>3,150</u>	<u>27,352</u>	<u>3,480</u>	<u>10,790</u>

The company has granted a Bond and Floating Charge over all of its assets in favour of Barclays Bank PLC as security for loans advanced to the group.

**19 Creditors: amounts falling due after more than one year**

	<u>2018</u>		<u>2017</u>	
	Company	Group	Company	Group
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank loan (note 20)	-	2,450	-	-

**20 Bank loan**

Amounts due at the period end are repayable as follows:

	<u>2018</u>		<u>2017</u>	
	Company	Group	Company	Group
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
In one year or less	-	700	-	-
Between one and two years	-	2,450	-	-
	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>-</u>

The loan was taken out in April 2018 and is repayable over five years. Interest is charged at a variable rate linked to LIBOR.

# **Scot JCB (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2018 (continued)**

### **21 Provisions for liabilities**

	Warranty and returns provision
<b>Group</b>	
	<b>£'000</b>
At 1 January 2018	428
Charged in the year	476
Utilised / released in the year	(428)
<b>At 31 December 2018</b>	<b>476</b>

### **22 Contingent liability**

The company has guaranteed the overdrafts of all subsidiary companies.

### **23 Called up share capital**

The authorised, allotted, called up and fully paid share capital at 31 December 2017 and 31 December 2018 was as follows:

Group and company

	<b>2018</b>		<b>2017</b>	
	<b>Shares</b>	<b>£</b>	<b>Shares</b>	<b>£</b>
A1, B1, C1, C2, C3 Ordinary voting shares of 10p each	720,220	72,022	720,220	72,022
E, E1, E2, E3, F Ordinary non-voting shares of 10p each	2,000	200	2,000	200
	<b>722,220</b>	<b>72,222</b>	<b>722,220</b>	<b>72,222</b>

### **24 Reserves**

	<b>Company</b>			<b>Group</b>		
	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2018	78	5,908	5,986	78	28,525	28,603
Profit for the year	-	1,146	1,146	-	2,543	2,543
Dividends (Note 11)	-	(903)	(903)	-	(903)	(903)
<b>At 31 December 2018</b>	<b>78</b>	<b>6,151</b>	<b>6,229</b>	<b>78</b>	<b>30,165</b>	<b>30,243</b>

# **Scot JCB (Holdings) Limited**

## **Notes to the financial statements for the year ended 31 December 2018 (continued)**

### **25 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities – group**

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Operating profit	3,768	4,533
Amortisation of intangible assets	540	-
Depreciation charges	811	594
Gain on sale of tangible fixed assets	(28)	(26)
(Increase)/decrease in stocks	(7,929)	1,902
(Increase) in debtors	(2,770)	(4,126)
Decrease in creditors	(3,143)	2,759
Net cash (outflow)/inflow from operating activities	<u>(8,751)</u>	<u>5,636</u>

### **26 Operating lease commitments**

At 31 December the group had future minimum lease payments under non-cancellable operating leases relating to land and buildings as follows:

	<u>2018</u>	<u>2017</u>
	<u>Group</u>	<u>Group</u>
	<u>£'000</u>	<u>£'000</u>
Operating leases which expire:		
Within one year	14	25
Between two and five years	86	68
After five years	<u>5,446</u>	<u>4,125</u>
	<u>5,546</u>	<u>4,218</u>

The company had no annual commitments under operating leases at 31 December 2017 and 31 December 2018.

### **27 Machine repurchase agreements**

At 31 December 2018 a subsidiary company had future commitments to purchase machines from customers, at the customer's option, of up to £2,109,816 (2017: £1,757,412) of which options of up to £659,661 (2017: £743,872) may be exercised within twelve months.


### **28 Pensions**

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds and the company's contributions to the schemes are shown in the pension charge in note 8. At the year-end £66,000 (2017: £47,000) was payable to the fund.

## **Scot JCB (Holdings) Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **29 Contingent liabilities**

 The following subsidiaries of the Group, A M Phillip Agritech Limited SC287763, and Stewart Plant Sales Limited SC34905, have taken advantage of the permitted exception from the requirements of the Companies Act 2006 relating to the audit of financial statements under Section 479A of the Companies Act 2006. As such, Scot JCB (Holdings) Limited has provided guarantees to those subsidiaries under Section 479C of the Companies Act 2006 in respect of the financial year ended 31 December 2018.

#### **30 Related party disclosures**

Balances due to and from group undertakings are included in notes 16 and 18. The company has taken advantage of the exemptions to disclose group transactions as conferred by Section 3(c) of Financial Reporting Standard No 8 "Related party disclosures".

The total key management personnel compensation was £1,835,000 (2017: £1,677,000).

During the year the Group made payments totalling £249,000 (2017: £164,000) to a pension scheme of which some of the Directors are beneficiaries. These payments are to cover the rental costs incurred by the Group for the use of properties owned by the pension scheme and used by the Group in its ordinary course of business.

## Scot JCB (Holdings) Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 31 Business combination

On 28 February 2018 the Group acquired control of A M Phillip Agritech Limited. On 2 May 2018 the Company acquired 100% of the share capital for total consideration of £2,130,140. The goodwill arising from the acquisition is attributable to the acquired customer base and economies of scale from combining the operations into the Group. Management have estimated the useful life of the goodwill to be one year. The following table summarises the consideration paid by the Group, the fair value of assets acquired, liabilities assumed at the acquisition date when control was gained.

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Tangible fixed assets	403	-	403
Stocks	4,846	(395)	4,451
Debtors	1,443	-	1,443
Trade creditors	(4,707)	-	(4,707)
Net assets	1,985	(395)	1,590
Goodwill			540
Consideration - satisfied by cash			2,130

The adjustments arising on acquisition were in respect of the impairment charge of certain of the acquired stocks.

#### 32 Ultimate controlling party

The company is ultimately controlled by S C J Bryant, as the controlling shareholder.