

JB FOODS (SCOTLAND) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2017



THE A9 PARTNERSHIP LIMITED
Chartered Accountants
Abercorn School
Newton
West Lothian
EH52 6PZ

JB FOODS (SCOTLAND) LTD

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JB FOODS (SCOTLAND) LTD

COMPANY INFORMATION

Directors	Mr J Brown Mrs C Brown Mr G Black Mrs C E Thompson Mr L C Brown Mr M N Douglas	(Appointed 1 June 2017)
Secretary	Mr M N Douglas	
Company number	SC059981	
Registered office	Edgefield Industrial Estate Edgefield Road Loanhead Midlothian EH20 9TB	
Auditor	The A9 Partnership Limited Abercorn School Newton West Lothian EH52 6PZ	
Bankers	HSBC 76 Hanover Street Edinburgh EH2 1EL	
Solicitors	Balfour + Manson LLP 54-66 Frederick Street Edinburgh EH2 1LS	

JB FOODS (SCOTLAND) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present the strategic report for the year ended 31 May 2017.

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

Considering the general economic climate the directors are satisfied that revenue continues to grow year on year and with the retention and development of the trade.

Principal risks and uncertainties

As for many businesses of our size, the business environment in which we operate continues to be challenging. The food wholesale market in the UK is highly competitive and margins continue to be small. The directors consider however that there are no direct risks or uncertainties concerning the business other than the general economic climate, which the directors believe the company is well placed to deal with.

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to this risk.

With these risks in mind, we are aware that any plans for the future development of the the business may be subject to unforeseen future events outside our control.

Development and performance

The company continues to review how it operates and has significantly invested in the current year to improve our competitiveness in the market. We have increased our warehousing facilities by occupying an investment property located next to our main site in anticipation of further growth. We have also upgraded our logistical and warehouse infrastructure to improve productivity and efficiency in the business.

Key performance indicators

The company continues to analyse its development and performance by the use of KPI's. However the figures reported in the Statement of Comprehensive Income will always be the Key Performance Indicator. The directors also monitor the gross margin, stock ratios and turnover. These are used to benchmark the business against competitors. In addition, the directors review on a weekly basis the number of sales credit notes issued as a result of errors in the sales, stock picking and delivery processes.

On behalf of the board



Mr L C Brown
Director

27 February 2018

JB FOODS (SCOTLAND) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present their annual report and financial statements for the year ended 31 May 2017.

Principal activities

The principal activity of the company during the year was that of wholesale distribution of food.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J Brown

Mrs C Brown

Mr G Black

Mr A J Boyle

(Resigned 9 February 2017)

Mrs C E Thompson

(Appointed 1 June 2017)

Mr L C Brown

Mr M N Douglas

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £100,000. The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

The auditor, The A9 Partnership Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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). 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;
- 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.

JB FOODS (SCOTLAND) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Disclosure of information in the Strategic Report

We have chosen, in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's Strategic Report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This includes information that would have been included in the Business Review and the principal risks and uncertainties.

On behalf of the board



Mr L C Brown

Director

27 February 2018

JB FOODS (SCOTLAND) LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JB FOODS (SCOTLAND) LTD

We have audited the financial statements of JB Foods (Scotland) Ltd for the year ended 31 May 2017 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

JB FOODS (SCOTLAND) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF JB FOODS (SCOTLAND) LTD

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Mr Richard Baird (Senior Statutory Auditor)
for and on behalf of The A9 Partnership Limited**

27 February 2018

**Chartered Accountants
Statutory Auditor**

Abercorn School
Newton
West Lothian
EH52 6PZ

JB FOODS (SCOTLAND) LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2017

	Notes	2017 £	2016 £
Turnover	3	20,417,054	20,120,546
Cost of sales		(15,413,663)	(15,206,250)
Gross profit		5,003,391	4,914,296
Administrative expenses		(5,166,596)	(4,865,304)
Other operating income		154,618	118,131
Operating (loss)/profit	4	(8,587)	167,123
Interest payable and similar expenses	7	(63,007)	(64,592)
Fair value gains on investment property	8	145,000	-
Profit before taxation		73,406	102,531
Tax on profit	9	67,437	(83,634)
Profit for the financial year		140,843	18,897
Other comprehensive income			
Revaluation of tangible fixed assets		(143,598)	-
Tax relating to other comprehensive income		11,009	-
Total comprehensive income for the year		8,254	18,897

The Income Statement has been prepared on the basis that all operations are continuing operations.

JB FOODS (SCOTLAND) LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Goodwill	11	185,000		210,000	
Tangible assets	12	3,801,436		2,918,860	
Investment properties	13	-		780,000	
Investments	14	1,150		1,150	
		<u>3,987,586</u>		<u>3,910,010</u>	
Current assets					
Stocks	18	1,190,337		1,289,363	
Debtors	19	1,934,977		1,788,329	
Cash at bank and in hand		518		462	
		<u>3,125,832</u>		<u>3,078,154</u>	
Creditors: amounts falling due within one year	20	<u>(4,063,776)</u>		<u>(3,505,956)</u>	
Net current liabilities			<u>(937,944)</u>		<u>(427,802)</u>
Total assets less current liabilities			3,049,642		3,482,208
Creditors: amounts falling due after more than one year	21		(1,182,342)		(1,462,863)
Provisions for liabilities	24		<u>(202,668)</u>		<u>(262,967)</u>
Net assets			<u>1,664,632</u>		<u>1,756,378</u>
Capital and reserves					
Called up share capital	27	20,000		20,000	
Revaluation reserve	28	212,405		283,678	
Profit and loss reserves	29	1,432,227		1,452,700	
Total equity			<u>1,664,632</u>		<u>1,756,378</u>

JB FOODS (SCOTLAND) LTD

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MAY 2017

These financial statements have been prepared in accordance with the provisions of section 445(3) of the Companies Act 2006 in regard to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 27 February 2018 and are signed on its behalf by:



Mr L C Brown
Director

Company Registration No. SC059981

JB FOODS (SCOTLAND) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2017

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2015		20,000	283,678	1,587,857	1,891,535
Year ended 31 May 2016:					
Profit and total comprehensive income for the year		-	-	18,897	18,897
Dividends	10	-	-	(154,054)	(154,054)
Balance at 31 May 2016		20,000	283,678	1,452,700	1,756,378
Year ended 31 May 2017:					
Profit for the year		-	-	140,843	140,843
Other comprehensive income:					
Revaluation of tangible fixed assets		-	(143,598)	-	(143,598)
Tax relating to other comprehensive income		-	11,009	-	11,009
Total comprehensive income for the year		-	(132,589)	140,843	8,254
Dividends	10	-	-	(100,000)	(100,000)
Transfers		-	61,316	(61,316)	-
Balance at 31 May 2017		20,000	212,405	1,432,227	1,664,632

JB FOODS (SCOTLAND) LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	35	212,652		500,950	
Interest paid		(63,007)		(64,592)	
Income taxes refunded/(paid)		15,012		(16,232)	
Net cash inflow from operating activities		164,657		420,126	
Investing activities					
Purchase of tangible fixed assets		(271,932)		(535,835)	
Proceeds on disposal of tangible fixed assets		2,600		47,746	
Net cash used in investing activities		(269,332)		(488,089)	
Financing activities					
Movement in directors loans		42,265		24,800	
Proceeds of bank loans, net of repayments		(188,660)		451,990	
Payment of HP obligations		(43,304)		(169)	
Dividends paid		(100,000)		(154,054)	
Net cash (used in)/generated from financing activities		(289,699)		322,567	
Net (decrease)/increase in cash and cash equivalents		(394,374)		254,604	
Cash and cash equivalents at beginning of year		(968,472)		(1,223,076)	
Cash and cash equivalents at end of year		(1,362,846)		(968,472)	
Relating to:					
Cash at bank and in hand		518		462	
Bank overdrafts included in creditors payable within one year		(1,363,364)		(968,934)	

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

Company information

JB Foods (Scotland) Ltd is a private company limited by shares incorporated in Scotland. The registered office is Edgefield Industrial Estate, Edgefield Road, Loanhead, Midlothian, EH20 9TB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the provisions of section 405(2) of the Companies Act 2006 not to prepare consolidated accounts. The subsidiary undertaking has been omitted on the grounds of not being material for the purposes of giving a true and fair view. As a result the financial statements only refer to the parent undertaking.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	Nil
Plant and machinery	15% reducing balance
Fixtures, fittings & equipment	15% reducing balance
Motor vehicles	25% reducing balance

The company does not depreciate its land or buildings as the directors believe the residual value of the properties at least equals the current carrying values, therefore any depreciation would be nil. This is further supported by the independent valuation reports, which are periodically updated. The properties are subject to an ongoing cycle of repairs and maintenance to sustain the expected useful lives of the assets, which is expensed to the Statement of Comprehensive Income.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the income statement.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Leases

Leases entered into by the company as lessee are classified as either operating or finance leases. The decision on how to classify a lease depends on an assessment of whether the risks and rewards of ownership have transferred from the lessor to the lessee on a lease by lease basis.

Asset Useful Lives

Fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock Obsolescence

Stock is valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which includes forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

3 Turnover and other revenue

	2017 £	2016 £
Turnover analysed by class of business		
Sale of goods	20,417,054	20,120,546
	<u> </u>	<u> </u>
	2017 £	2016 £
Other significant revenue		
Rent receivable	36,974	36,974
Insurance claims received	10,239	-
Other operating income	107,405	81,157
	<u> </u>	<u> </u>

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

4 Operating (loss)/profit

	2017 £	2016 £
Operating (loss)/profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	15,704	12,750
Depreciation of owned tangible fixed assets	113,636	103,975
Depreciation of tangible fixed assets held under HP	53,562	59,520
Loss on disposal of tangible fixed assets	960	5,448
Amortisation of intangible assets	25,000	23,333
Cost of stocks recognised as an expense	15,413,663	15,206,250
Operating lease charges	600,196	590,264

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Distribution staff	64	61
Administration staff	52	60
Management staff	7	8
	123	129

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,734,804	2,697,295
Social security costs	246,949	247,855
Pension costs	24,272	23,769
	3,006,025	2,968,919

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	395,526	419,085
Company pension contributions to defined contribution schemes	7,465	7,321
	402,991	426,406

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

6 Directors' remuneration

(Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	152,510	163,680
Company pension contributions to defined contribution schemes	3,066	2,405

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities:		
Interest on bank overdrafts and loans	53,632	54,857
Interest on finance leases and hire purchase contracts	9,375	9,735
	63,007	64,592

8 Fair Value Movements

	2017 £	2016 £
Changes in the fair value of investment properties	145,000	-

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	-	17,200
Adjustments in respect of prior periods	(18,147)	(13,140)
Total current tax	(18,147)	4,060
Deferred tax		
Origination and reversal of timing differences	(23,324)	79,574
Changes in tax rates	(25,966)	-
Total deferred tax	(49,290)	79,574
Total tax (credit)/charge	(67,437)	83,634

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

9 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	73,406	102,531
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	14,681	20,506
Tax effect of expenses that are not deductible in determining taxable profit	2,638	16,996
Gains not taxable	(29,000)	-
Unutilised tax losses carried forward	16,991	-
Adjustments in respect of prior years	(18,148)	(13,140)
Permanent capital allowances in excess of depreciation	(5,309)	(20,302)
Origination and reversal of timing differences	(23,324)	79,574
Change in tax rates applicable to timing differences	(25,966)	-
Taxation (credit)/charge for the year	(67,437)	83,634

In addition to the amount (credited)/charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £	2016 £
Deferred tax arising on:		
Revaluation of property	(11,009)	-

10 Dividends

	2017 £	2016 £
Final paid	100,000	154,054

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

11 Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2016 and 31 May 2017	250,000
Amortisation and impairment	
At 1 June 2016	40,000
Amortisation charged for the year	25,000
At 31 May 2017	65,000
Carrying amount	
At 31 May 2017	185,000
At 31 May 2016	210,000

12 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2016	2,117,144	1,680,725	145,369	400,740	4,343,978
Additions	126,454	141,736	3,742	-	271,932
Disposals	-	-	-	(15,000)	(15,000)
Revaluation	(143,598)	-	-	-	(143,598)
Transfer from investment property	925,000	-	-	-	925,000
At 31 May 2017	3,025,000	1,822,461	149,111	385,740	5,382,312
Depreciation and impairment					
At 1 June 2016	-	1,125,031	112,263	187,824	1,425,118
Depreciation charged in the year	-	109,332	5,527	52,339	167,198
Eliminated in respect of disposals	-	-	-	(11,440)	(11,440)
At 31 May 2017	-	1,234,363	117,790	228,723	1,580,876
Carrying amount					
At 31 May 2017	3,025,000	588,098	31,321	157,017	3,801,436
At 31 May 2016	2,117,144	555,694	33,106	212,916	2,918,860

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

12 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2017 £	2016 £
Plant and machinery	31,967	37,609
Motor vehicles	143,762	191,682
	<u>175,729</u>	<u>229,291</u>
Depreciation charge for the year in respect of assets held on finance	<u>53,562</u>	<u>59,520</u>

The land and buildings were revalued on 27th July 2016 by DM Hall Chartered Surveyors, independent valuers, not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The valuation excluding the former investment property was £2.1m, the decrease in fair value of the property in the amount of £143,598 was recognised in Other Comprehensive Income and the Revaluation Reserve.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	2,757,062	1,766,924
Accumulated depreciation	-	-
Carrying value	<u>2,757,062</u>	<u>1,766,924</u>

The revaluation surplus is disclosed in note 28.

The freehold land and buildings have been pledged to secure borrowings of the company.

13 Investment property

	2017 £
Fair value	
At 1 June 2016	780,000
Transfers to owner-occupied property	(925,000)
Net gains or losses through fair value adjustments	<u>145,000</u>
At 31 May 2017	<u>-</u>

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

13 Investment property

(Continued)

The fair value of the investment property has been arrived at on the basis of a valuation carried out on 27th July 2016 by DM Hall Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The valuation of £925,000, resulted in a fair value gain of £145,000. This was recognised in the Statement of Comprehensive Income.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2017 £	2016 £
Cost	-	863,684
Accumulated depreciation	-	-
Carrying amount	-	863,684

The investment property ceased to meet the recognition criteria in FRS102 and was therefore transferred to Freehold Property during the year. The revaluation gains, net of historic revaluation losses in the P&L reserve, in the amount of £61,316, were also transferred to the Revaluation Reserve upon reclassification.

14 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	15	900	900
Unlisted investments		250	250
		1,150	1,150

15 Subsidiaries

Details of the company's subsidiaries at 31 May 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Double"A" Ices Limited	England	Dormant company	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Double"A" Ices Limited	-	900

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

15 Subsidiaries

(Continued)

The investments in subsidiaries are all stated at cost.

16 Significant undertakings

The company also has significant holdings in undertakings which are not consolidated:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Frozen Food Wholesale Limited	England	Buying group	Ordinary	25.00	
Caterforce Limited	England	Buying group	Ordinary	12.50	

The aggregate capital and reserves and the result for the year of significant undertakings noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Frozen Food Wholesale Limited	(1,011)	46
Caterforce Limited	-	49,365

17 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Equity instruments measured at cost less impairment	1,150	1,150

18 Stocks

	2017 £	2016 £
Goods for resale	1,190,337	1,289,363

19 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,560,140	1,548,640
Corporation tax recoverable	5,119	-
Other debtors	270,179	215,706
Prepayments and accrued income	99,539	23,983
	<u>1,934,977</u>	<u>1,788,329</u>

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

20 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	22	1,541,501	1,147,071
Obligations under HP and finance leases	23	54,552	55,995
Trade creditors		2,132,202	2,002,435
Corporation tax		13,401	11,417
Other taxation and social security		85,367	85,283
Other creditors		86,114	2,614
Accruals and deferred income		150,639	201,141
		<u>4,063,776</u>	<u>3,505,956</u>

21 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	22	1,065,480	1,254,140
Obligations under HP and finance leases	23	91,862	133,723
Other creditors		25,000	75,000
		<u>1,182,342</u>	<u>1,462,863</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	352,932	541,593
	<u>352,932</u>	<u>541,593</u>

22 Loans and overdrafts

	2017 £	2016 £
Bank loans	1,243,617	1,432,277
Bank overdrafts	1,363,364	968,934
	<u>2,606,981</u>	<u>2,401,211</u>
Payable within one year	1,541,501	1,147,071
Payable after one year	1,065,480	1,254,140
	<u>1,065,480</u>	<u>1,254,140</u>

Bank overdrafts and loans are secured by a floating charge over the company's assets and also 2 fixed charges over the company's land and buildings.

Hire purchase debts are secured over the assets financed.

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

22 Loans and overdrafts

(Continued)

The company has 2 term loans: repayable over 10 years at 2.5% interest over base rate and 7 years at 2.1% interest over base rate.

23 HP and finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under hire purchase agreements:		
Within one year	63,135	64,763
In two to five years	104,842	154,172
	<u>167,977</u>	<u>218,935</u>
Less: future finance charges	(21,563)	(29,217)
	<u>146,414</u>	<u>189,718</u>

HP payments represent rentals payable by the company for certain items of plant, machinery and motor vehicles. The terms range from 3 to 5 years. All agreements are on a fixed repayment basis.

24 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	25	<u>202,668</u>	<u>262,967</u>

25 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	147,136	212,325
Revaluations	55,532	50,642
	<u>202,668</u>	<u>262,967</u>

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

25 Deferred taxation (Continued)

	2017 £
Movements in the year:	
Liability at 1 June 2016	262,967
Credit to profit or loss	(23,324)
Credit to other comprehensive income	(4,476)
Effect of change in tax rate - profit or loss	(25,966)
Effect of change in tax rate - other comprehensive income	(6,533)
Liability at 31 May 2017	<u>202,668</u>

It is not possible to reliably measure the net reversal of deferred tax liabilities expected to occur during the next reporting period. There is no time limit on the utilisation of the deferred tax timing differences.

Deferred tax is not recognised in respect of unutilised tax losses carried forward in the amount of £84,955.

Reductions in the corporation tax rate to 17% (effective from 1 April 2020) have been substantively enacted. This will reduce the company's future current tax charge accordingly. The deferred tax liability has been calculated based on this rate.

26 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>24,272</u>	<u>23,769</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

27 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
	<u>20,000</u>	<u>20,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

28 Revaluation reserve

This reserve records the net gains on revaluing freehold property to its fair value, net of deferred tax.

29 Profit and loss reserves

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2017

29 Profit and loss reserves

(Continued)

This reserve records retained earnings and accumulated losses.

30 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	311,621	343,356
Between two and five years	733,810	879,549
In over five years	9,625	125,125
	<u>1,055,056</u>	<u>1,348,030</u>

31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £	2016 £
Acquisition of tangible fixed assets	-	82,925
	<u>-</u>	<u>82,925</u>

32 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	<u>395,526</u>	<u>419,085</u>

JB FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

33 Directors' transactions

Dividends totalling £100,000 (2016 - £154,054) were paid in the year in respect of shares held by the company's directors.

The below loans are unsecured, there are no fixed terms for repayment and no interest is charged.

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Directors Current Account	-	(2,614)	110,500	(194,000)	(86,114)
Directors Current Account	-	25,900	47,234	(6,000)	67,134
		<u>23,286</u>	<u>157,734</u>	<u>(200,000)</u>	<u>(18,980)</u>

34 Controlling party

The company was under the control of Mr T J Brown, a director, and members of his close family during the current and previous year.

35 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	140,843	18,897
Adjustments for:		
Taxation (credited)/charged	(67,437)	83,634
Finance costs	63,007	64,592
Loss on disposal of tangible fixed assets	960	5,448
Amortisation and impairment of intangible assets	25,000	23,333
Depreciation and impairment of tangible fixed assets	167,198	163,495
Fair value movements	(145,000)	-
Movements in working capital:		
Decrease in stocks	99,026	43,331
(Increase) in debtors	(102,833)	(69,430)
Increase in creditors	31,888	167,650
Cash generated from operations	<u>212,652</u>	<u>500,950</u>