

A M Phillip Agritech Limited

Annual report and financial statements

For the year ended 31 December 2018



Company number SC287763

A M Phillip Agritech Limited

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

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A M Phillip Agritech 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

At the end of April 2018 Scot JCB (Holdings) Limited acquired the entire share capital of the company. Following that acquisition, the operations of the A M Phillip Agritech business have been hived up into Scot JCB Limited, while retaining “A M Phillip Agritech” as the trading name. The results for A M Phillip Agritech Limited up until the transfer of business show sales of £4.2 million (2017: £34.7 million) and a loss before taxation of £1.8 million (2017: profit £0.1 million).

Principal risks and uncertainties

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

Key performance indicators (KPI)

Given the straightforward nature of the business, the company’s directors are of the opinion that analysis using KPIs 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.

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.

A M Phillip Agritech Limited

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

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

A M Phillip Agritech Limited

Directors' report for the year ended 31 December 2018

The directors present their annual report together with the audited financial statements of the company 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	(appointed 2 May 2018)
D M Donoghue	(appointed 2 May 2018)
S K Barker	(appointed 2 May 2018)
D Park	(appointed 2 May 2018)
R J Bryant	(appointed 2 May 2018)
S I Bryant	(appointed 2 May 2018)
R C Cameron	(appointed 17 December 2018)
G W Phillip	(resigned 2 May 2018)
G Tasker	(resigned 2 May 2018)
A G Drummond	(resigned 2 May 2018)
T Boyd	(resigned 2 May 2018)
A J Connon	(resigned 2 May 2018)
E S Dodds	(resigned 2 May 2018)
G L Phillip	(resigned 2 May 2018)
A M Phillip	(resigned 2 May 2018)

Dividends

An interim dividend of £1.63204 per share (2017: £nil) was paid on 31 December 2018.

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 regulations.

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;

A M Phillip Agritech Limited

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

Statement of directors' responsibilities in respect of the financial statements (continued)

- 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 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.

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.

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.

Approved by the Board and signed on behalf of the Board



S K Barker
Director

30 September 2019

A M Phillip Agritech Limited**Statement of income and retained earnings for the year ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Turnover (note 4)	4,244,835	34,714,490
Cost of sales	<u>(4,804,241)</u>	<u>(30,630,664)</u>
Gross profit	(559,406)	4,083,826
Administrative expenses	<u>(1,214,002)</u>	<u>(3,939,842)</u>
Operating profit (note 5)	(1,773,408)	143,984
Interest payable and similar expenses	<u>-</u>	<u>(50,437)</u>
Profit before taxation	(1,773,408)	93,547
Tax on profit (note 8)	<u>-</u>	<u>4,526</u>
Profit for the financial year	(1,773,408)	98,073
Retained earnings at 1 January	3,283,795	3,185,722
Dividends paid (note 9)	<u>(1,509,637)</u>	<u>0</u>
Retained earnings at 31 December	<u>750</u>	<u>3,283,795</u>

A M Phillip Agritech Limited

Balance sheet as at 31 December 2018

	2018		2017	
	£	£	£	£
Fixed assets				
Tangible assets (note 10)		-		528,063
Current assets				
Stocks (note 11)	-		6,157,950	
Debtors (note 12)	10,000		2,216,300	
Cash at bank and in hand	-		327,418	
	10,000		8,701,668	
Creditors: amounts falling due within one year				
(note 13)	-		(5,861,844)	
Net current assets		10,000		2,839,824
Total assets less current liabilities		10,000		3,367,887
Creditors: amounts falling due after more than one year				
		-		(87,690)
Provisions for liabilities (note 15)		-		12,848
Net assets		10,000		3,293,045
Capital and reserves				
Called up share capital (note 16)		9,250		9,250
Profit and loss account		750		3,283,795
Total shareholders' funds		10,000		3,293,045

The notes on pages 7 to 16 are an integral part of these financial statements.

For the year ending 31 March 2018 the company was entitled to exemption from audit under section 479a of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the act with respect to accounting records and for the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 5 to 16 were approved by the board of directors on 30 September 2019 and were signed on its behalf by:



S K Barker
Director

Company registration number SC287763

A M Phillip Agritech Limited

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

1 General information

A M Phillip Agritech Limited is a dealer in agricultural machinery. 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 individual financial statements of A M Phillip Agritech 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

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. A M Phillip Agritech Limited is a qualifying entity as its results are consolidated into the consolidated financial statements of Scot JCB (Holdings) Limited which are publicly available.

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

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 prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102; and
- iii) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

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 10.
- 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.

A M Phillip Agritech Limited

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

3 Significant accounting policies (continued)

d) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation. Historical 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:

Tenant's improvements	15% straight line
Vehicles	25% straight line
Plant & Machinery & Equipment	15% to 25% straight line

e) 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.

f) 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 warranty provisions based upon any losses expected to arise from the historical after sales costs.

g) 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.

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

3 Significant accounting policies (continued)

h) 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.

i) 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 company in an independently administered fund. Contributions to the schemes are charged to the profit and loss account as incurred.

j) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

k) 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.

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

3 Significant accounting policies (continued)

l) Financial assets (continued)

(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.

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.

l) Interest payable and interest receivable

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

4 Turnover

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

5 Operating profit

Operating profit is stated after charging/(crediting)

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Depreciation of tangible fixed assets - owned assets	32,952	229,399
Staff costs (note 6)	656,903	4,318,589
Profit on sale of tangible fixed assets	-	(63)

A M Phillip Agritech Limited

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

6 Staff costs and numbers

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Wages and salaries	593,482	3,910,356
Social security costs	54,283	363,731
Other pension costs	9,138	44,502
	<u>656,903</u>	<u>4,318,589</u>

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

	<u>2018</u>	<u>2017</u>
	<u>Number</u>	<u>Number</u>
Office and management	43	43
Sales and technical	90	90
	<u>133</u>	<u>133</u>

7 Remuneration of directors

The directors did not receive any emoluments in respect of their services to the company (2017: £243,760). Emoluments of all directors are borne by Scot JCB Limited.

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

8 Tax on profit

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Current tax:		
UK corporation tax	-	4,488
Adjustments in respect of prior year	-	(23,869)
Total current tax	-	(19,381)
Deferred tax:		
Origination and reversal of timing differences	-	14,855
Total deferred tax	-	14,855
Total tax on profit	-	(4,526)

The tax assessed for the period is lower than (2017: lower 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:

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Profit before taxation	(1,773,408)	93,547
Profit before taxation multiplied by the standard rate in the UK of 19% (2017: 19.25%)	(336,948)	18,005
Effects of:		
Expenses not deductible for tax purposes		181
Short term timing differences	4,565	1,157
Adjustments in respect of group relief	313,075	-
Transfer pricing adjustment	19,308	-
Adjustments to tax charge in respect of prior year	-	(23,869)
Tax charge for the year	-	(4,526)

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.

A M Phillip Agritech Limited

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

9 Dividends paid

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Dividends paid of £1.63204 per share (2017: £0)	<u>1,509,637</u>	<u>-</u>

10 Tangible assets

	Tenants Improvements	Plant and Machinery	Motor Vehicles	Equipment	Total
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
COST					
At 1 January 2018	132,363	385,831	1,021,070	12,822	1,552,086
Additions	-	1,040	-	-	1,040
Disposals	(132,363)	(386,871)	(1,021,070)	(12,822)	(1,553,126)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ACCUMULATED DEPRECIATION					
At 1 January 2018	44,002	282,565	687,955	9,501	1,024,023
Charge for year	1,827	4,272	26,762	91	32,952
Disposals	(45,829)	(286,837)	(714,717)	(9,592)	(1,056,975)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE					
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>88,361</u>	<u>103,266</u>	<u>333,115</u>	<u>3,321</u>	<u>528,063</u>

11 Stocks

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Consumables and goods for resale	-	6,083,311
Work in progress	<u>-</u>	<u>74,639</u>
	<u>-</u>	<u>6,157,950</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

A M Phillip Agritech Limited

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

12 Debtors

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Trade debtors		1,825,459
Amounts owed by group undertakings	10,000	
Other debtors		390,841
	<u>10,000</u>	<u>2,216,300</u>

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

13 Creditors: amounts falling due within one year

	<u>2018</u>	<u>2017</u>
	<u>£</u>	<u>£</u>
Trade creditors	-	3,546,566
Amounts owed to group undertakings	-	1,362,174
Other taxation and social security	-	289,832
Other creditors	-	78,268
Accruals and deferred income	-	585,004
	<u>-</u>	<u>5,861,844</u>

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

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.

14 Contingent liability

The company has guaranteed the overdrafts of its parent and all fellow subsidiary companies.

15 Provisions for liabilities

	<u>Deferred</u>
	<u>tax</u>
	<u>£</u>
At 1 January 2018	(12,848)
(Released) in the year	12,848
At 31 December 2018	<u>-</u>

A M Phillip Agritech Limited

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

16 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:

	£
Authorised, allotted, called up and fully paid 925,000 (2017: 925,000) ordinary shares of £0.01 each	<u>9,250</u>

17 Operating lease commitments

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

	<u>2018</u>	<u>2017</u>
	<u>£'000</u>	<u>£'000</u>
Between two and five years	-	1
After five years	<u>-</u>	<u>273</u>
	<u>-</u>	<u>274</u>

18 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund and the company's contributions to the scheme are shown in the pension charge in note 6. No contributions (2017: £nil) were payable to the fund at year end.

19 Related party disclosures

Balances due to and from group undertakings are included in notes 12 and 13. The company has taken advantage of the exemptions to disclose group transactions as conferred by Section 33.1A of FRS 102.

20 Ultimate parent company and controlling party

The immediate parent undertaking is Scot JCB (Holdings) Limited.

The company is ultimately controlled by S C J Bryant, as the controlling shareholder of Scot JCB (Holdings) Limited, a company incorporated in the United Kingdom.

Scot JCB (Holdings) Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Scot JCB (Holdings) Limited financial statements can be obtained from its registered office at Townmill Road, Glasgow G31 3AR.