

Company Registration No. SC093530 (Scotland)

JOHN GORDON & SON LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017



JOHN GORDON & SON LIMITED

COMPANY INFORMATION

Directors

R D Gordon (Chairman)
E A G Gordon
R M Gordon (Joint Managing Director)
P S Gordon (Joint Managing Director)
A M Blanchfield
A McAra
P A G Mackenzie

Company number

SC093530

Registered office

Balblair Road
NAIRN
IV12 5LY

Auditor

Johnston Carmichael LLP
Clava House
Cradlehall Business Park
INVERNESS
IV2 5GH

JOHN GORDON & SON LIMITED

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JOHN GORDON & SON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present the strategic report for the year ended 30 June 2017.

Review of the Business

Increased competitiveness of British Timber against imports was driven by the post-Brexit Referendum fall in the value of sterling and has had a significant impact on profitability.

The Company's cash position continues to be healthy and funds are available to finance future Capital Expenditure. It enjoys good liquidity and is debt free.

Rationalising production units on-site has reduced costs and improved productivity.

The New Office was officially opened in June and continues to help provide strong synergy within the Company. With the associated entrance and car parking, the process of arriving on-site for employees and visitors alike has become safer.

In the Spring, the Company launched it's 15 year Warranty for treated Round Fencing products. This has confirmed the longevity of these products that Gordon Timber has been supplying for many years and has been well received by existing and new customers.

The Management Team and employees are delighted to have had confirmation that for the 22nd consecutive year, Gordon Timber enjoys IIP status. The business was the first British Sawmill to meet this standard in 1995.

Key events continue to be communicated through the Company's website, www.gordontimber.co.uk and it's LinkedIn page.

Principal risks and uncertainties

The management of the business and its strategy are subject to a number of risks. These include the continuity of raw material supply in the medium term, competition from both national and local timber suppliers and the potential volatility of exchange rates which remains an ongoing concern following the reduction in the value of sterling since mid-2016.

The Company also recognises that there remains economic and political uncertainty following the decision of the UK to leave the European Union, which may lead to a more challenging environment in the short to medium term. However, the Directors will continue to monitor the situation closely and identify new opportunities for the Company over the years ahead.

Health and Safety continues to be a top priority for the Company. It will continue to manage and monitor this area to ensure a safe environment at all times.

The company's policy is to minimise exposure to losses of defaulting customers. Credit terms are only granted to customers who satisfy credit worthiness procedures. Credit limits are reviewed regularly in conjunction with debt ageing and collection history.

As regards liquidity and interest rate risks, the company continues to hold significant cash reserves at the balance sheet date, with no external borrowings. Liquidity and interest rates therefore do not pose a significant risk to the company.

Future Developments

The company's history of generating profits and maintaining a strong asset base place it in an ideal position to grow the business in a structured and controlled manner. The commercial environment is expected to remain competitive in 2017/18. In addition, as already highlighted, the ongoing political and economic changing landscape is likely to result in greater uncertainty in the short-term. However, the directors remain confident the Company will continue to provide new opportunities to enhance the business, and to widen its customer base.

JOHN GORDON & SON LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

Key performance indicators

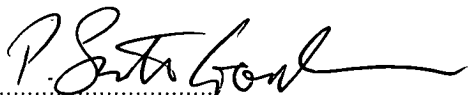
Annual turnover is up 7% to £16.9m and Operating Profit more than doubled from £317,560 to £682,998.

Distribution costs were held in check despite the increased turnover noted, representing 9.7% of turnover (2016 - 10.7%).

Double digit percentage increase in production per hour worked was achieved in the year, as the Company's drive for greater efficiency was embraced by the workforce.

Annual improvement in Net Current Assets continues on a positive trend.

On behalf of the board



P S Gordon

Joint Managing Director

04/09/2017

JOHN GORDON & SON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Principal activities

The principal activity of the company continued to be that of felling, milling and marketing of British timber. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Directors

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

R D Gordon (Chairman)
E A G Gordon
R M Gordon (Joint Managing Director)
P S Gordon (Joint Managing Director)
A M Blanchfield
A McAra
P A G Mackenzie

Results and dividends

The results for the year are set out on page 8.

Ordinary interim dividends were paid amounting to £160,836 (2016 - £210,751). The directors recommend payment of a final dividend of £30,000 (2016 - £nil).

Auditor

The auditor, Johnston Carmichael LLP was appointed as auditor to the company in the year and 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.

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

JOHN GORDON & SON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

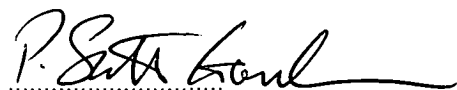
Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

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.

On behalf of the board



P S Gordon

Joint Managing Director

04/09/2017

JOHN GORDON & SON LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JOHN GORDON & SON LIMITED

Opinion

We have audited the financial statements of John Gordon & Son Limited (the 'company') for the year ended 30 June 2017 set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 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.

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

JOHN GORDON & SON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JOHN GORDON & SON LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

JOHN GORDON & SON LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JOHN GORDON & SON LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Johnston Carmichael LLP

4 September 2017.

Scott Jeffrey (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

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Clava House
Cradlehall Business Park
INVERNESS
IV2 5GH

JOHN GORDON & SON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

		2017 £	2016 £
Turnover	3	16,945,911	15,824,332
Cost of sales		(13,722,477)	(13,203,777)
Gross profit		3,223,434	2,620,555
Distribution costs		(1,639,035)	(1,690,573)
Administrative expenses		(952,722)	(734,317)
Other operating income		51,321	121,895
Operating profit	4	682,998	317,560
Interest payable and similar expenses	8	(9,109)	(22,221)
Profit before taxation		673,889	295,339
Taxation	9	(154,909)	17
Profit for the financial year		518,980	295,356

The income statement has been prepared on the basis that all operations are continuing operations.

JOHN GORDON & SON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		2017		2016 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		6,170,396		6,703,012
Investment properties	12		632,000		632,000
Investments	13		1,501		1,501
			<u>6,803,897</u>		<u>7,336,513</u>
Current assets					
Stocks	15	741,621		688,064	
Debtors	16	4,607,805		3,549,961	
Cash at bank and in hand		1,043,201		1,086,984	
			<u>6,392,627</u>		<u>5,325,009</u>
Creditors: amounts falling due within one year	17		<u>(3,617,366)</u>		<u>(3,367,284)</u>
Net current assets			<u>2,775,261</u>		<u>1,957,725</u>
Total assets less current liabilities			<u>9,579,158</u>		<u>9,294,238</u>
Creditors: amounts falling due after more than one year	18		(112,031)		(130,894)
Provisions for liabilities	20		(452,796)		(477,157)
Net assets			<u><u>9,014,331</u></u>		<u><u>8,686,187</u></u>
Capital and reserves					
Called up share capital	24		616,662		616,662
Revaluation reserve			443,379		443,379
Profit and loss reserves			7,954,290		7,626,146
Total equity			<u><u>9,014,331</u></u>		<u><u>8,686,187</u></u>

The financial statements were approved by the board of directors and authorised for issue on 04/09/2017 and are signed on its behalf by:



R M Gordon (Joint Managing Director)
Director

Company Registration No. SC093530

JOHN GORDON & SON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total £
As restated for the period ended 30 June 2016:						
Balance at 1 July 2015		616,662	-	2,645	7,538,896	8,158,203
Prior period adjustment to recognise investment properties at fair value		-	443,379	-	-	443,379
As restated		616,662	443,379	2,645	7,538,896	8,601,582
Year ended 30 June 2016:						
Profit and total comprehensive income for the year		-	-	-	295,356	295,356
Dividends	10	-	-	-	(210,751)	(210,751)
Transfer to profit and loss account		-	-	(2,645)	2,645	-
Balance at 30 June 2016		616,662	443,379	-	7,626,146	8,686,187
Year ended 30 June 2017:						
Profit and total comprehensive income for the year		-	-	-	518,980	518,980
Dividends	10	-	-	-	(190,836)	(190,836)
Balance at 30 June 2017		616,662	443,379	-	7,954,290	9,014,331

JOHN GORDON & SON LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	30	613,661		1,954,727	
Interest paid		(9,109)		(22,221)	
Income taxes paid		(86,990)		(124,190)	
Net cash inflow from operating activities		517,562		1,808,316	
Investing activities					
Purchase of tangible fixed assets		(236,365)		(979,020)	
Proceeds on disposal of tangible fixed assets		6,250		4,251	
Purchase of fixed asset investments		-		(1)	
Net cash used in investing activities		(230,115)		(974,770)	
Financing activities					
Payment of finance leases obligations		(140,394)		(370,199)	
Dividends paid		(190,836)		(210,751)	
Net cash used in financing activities		(331,230)		(580,950)	
Net (decrease)/increase in cash and cash equivalents		(43,783)		252,596	
Cash and cash equivalents at beginning of year		1,086,984		834,388	
Cash and cash equivalents at end of year		1,043,201		1,086,984	

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

John Gordon & Son Limited is a private company limited by shares incorporated in Scotland. The registered office is Balbair Road, Nairn, IV12 5LY.

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. The principal accounting policies adopted are set out below.

1.2 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.

1.3 Tangible fixed assets

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

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

Freehold buildings	2% Straight line
Plant and machinery	15- 20% Reducing balance
Motor vehicles	25% Reducing balance

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.

1.4 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 other comprehensive income.

1.5 Fixed asset investments

Fixed asset investments 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.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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).

1.7 Stocks

Raw materials and certain finished goods 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. Other finished goods stocks apply the retail method as a basis of measuring their cost.

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.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.9 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.

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 are assessed for indicators of impairment at each reporting end date.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables 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.

Trade payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 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.

1.11 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.

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.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement benefits

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

1.14 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.

1.15 Government grants

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.17 Comparative figures

The comparative figures have been restated. Deferred government grants of £130,894 have been reclassified from creditors falling due within one year to creditors falling due after more than one year to reflect the periods over which the grants will be amortised. This reclassification has had no effect on the net profit or net asset position reported for the prior year.

1.18 Prior period adjustment

Certain tangible fixed assets with an estimated cost and carrying value of £158,000 have been reclassified as investment properties in accordance with their use, including during previous accounting periods. Consequently, these assets have been revalued to their fair values resulting in a prior period adjustment to reflect an uplift in the carrying value of £474,000, against which deferred tax of £30,621 has been recognised. A revaluation reserve has been reflected in the restated financial statements, with the overall impact being an increase to net assets of £443,379.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 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.

Stock Valuations

Raw material and finished goods stocks totalling £741,621 are valued as detailed in note 1.7 of the financial statements. Valuation of stock requires judgements to be made on various aspects of the stock held and is assessed based on the directors' extensive knowledge of the industry and the economic environment they are operating in.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover		
Sale of goods	16,945,911	15,824,332
	<u>16,945,911</u>	<u>15,824,332</u>
 Turnover analysed by geographical market		
	2017 £	2016 £
UK	16,188,627	15,334,147
Europe	757,284	490,185
	<u>16,945,911</u>	<u>15,824,332</u>

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(90)	(267)
Government grants	(18,863)	(23,099)
Depreciation of owned tangible fixed assets	660,099	534,995
Depreciation of tangible fixed assets held under finance leases	103,183	307,655
(Profit)/loss on disposal of tangible fixed assets	(551)	932
Cost of stocks recognised as an expense	7,072,611	5,963,369
Operating lease charges	7,484	8,775
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	11,250	12,000
	<u> </u>	<u> </u>
For other services		
Other compliance services	1,450	8,292
	<u> </u>	<u> </u>

6 Employees

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

	2017 Number	2016 Number
Production staff	71	79
Management staff	21	21
	<u> </u>	<u> </u>
	92	100
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	2,547,753	2,595,352
Social security costs	225,975	262,019
Pension costs	245,854	55,314
	<u> </u>	<u> </u>
	3,019,582	2,912,685
	<u> </u>	<u> </u>

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	226,921	234,321
Company pension contributions to defined contribution schemes	190,000	-
	<u>416,921</u>	<u>234,321</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

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

	2017 £	2016 £
Remuneration for qualifying services	113,798	112,029
Company pension contributions to defined contribution schemes	55,000	-
	<u>168,798</u>	<u>112,029</u>

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	9,109	22,221
	<u>9,109</u>	<u>22,221</u>

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	173,947	81,667
Adjustments in respect of prior periods	5,323	-
Total current tax	<u>179,270</u>	<u>81,667</u>
Deferred tax		
Origination and reversal of timing differences	(24,361)	(1,348)
Changes in tax rates	-	(80,336)
Total deferred tax	<u>(24,361)</u>	<u>(81,684)</u>
Total tax charge/(credit)	<u>154,909</u>	<u>(17)</u>

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

9 Taxation

(Continued)

The actual charge/(credit) 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	673,889	295,339
Expected tax charge based on the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%)	133,093	59,068
Tax effect of expenses that are not deductible in determining taxable profit	10,658	17,642
Adjustments in respect of prior years	5,323	-
Depreciation in excess of capital allowances	33,542	9,577
Amortisation of government grants	(3,725)	(4,620)
Other permanent differences	379	-
Deferred tax adjusted in respect of timing differences	(24,361)	(81,684)
Taxation charge/(credit) for the year	154,909	(17)

10 Dividends

	2017 £	2016 £
Final payable	30,000	-
Interim paid	160,836	210,751
	190,836	210,751

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

11 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 July 2016 - as restated	1,830,845	15,846,160	190,684	17,867,689
Additions	39,750	154,441	42,174	236,365
Disposals	-	-	(20,589)	(20,589)
At 30 June 2017	1,870,595	16,000,601	212,269	18,083,465
Depreciation and impairment				
At 1 July 2016	-	11,061,782	102,895	11,164,677
Depreciation charged in the year	19,907	718,428	24,947	763,282
Eliminated in respect of disposals	-	-	(14,890)	(14,890)
At 30 June 2017	19,907	11,780,210	112,952	11,913,069
Carrying amount				
At 30 June 2017	1,850,688	4,220,391	99,317	6,170,396
At 30 June 2016 - as restated	1,830,845	4,784,378	87,789	6,703,012

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	-	1,743,380
Depreciation charge for the year in respect of leased assets	103,183	307,655

Freehold land and buildings include £875,250 (2016 - £875,250) of land which has not been depreciated.

12 Investment property

	2017 £
Fair value	
At 1 July 2016 and 30 June 2017	632,000

The fair value of the investment properties have been assessed in accordance with formal valuations undertaken by Graham & Sibbald, Chartered Surveyors, in May 2017. The historic cost of the investment properties is estimated as £158,000 based on third party guidance, on the date of transfer of the assets to the company on its incorporation.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

13 Fixed asset investments

	2017 £	2016 £
Unlisted investments	1,501	1,501

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 July 2016 & 30 June 2017	1,501
Carrying amount	
At 30 June 2017	1,501
At 30 June 2016	1,501

14 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	4,431,339	3,405,142
Equity instruments measured at cost less impairment	1,501	1,501
Cash and Cash Equivalent	1,043,201	1,086,984
Carrying amount of financial liabilities		
Measured at amortised cost	3,010,841	2,889,211

15 Stocks

	2017 £	2016 £
Raw materials and consumables	134,350	148,940
Finished goods and goods for resale	607,271	539,124
	741,621	688,064

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

16 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	4,427,455	3,405,142
Other debtors	3,884	-
Prepayments and accrued income	176,466	144,819
	<u>4,607,805</u>	<u>3,549,961</u>

17 Creditors: amounts falling due within one year

	Notes	2017	2016 as restated
		£	£
Obligations under finance leases	19	-	140,394
Trade creditors		2,137,877	2,447,517
Corporation tax		173,947	81,667
Other taxation and social security		432,578	396,406
Other creditors		8,712	9,232
Accruals and deferred income		864,252	292,068
		<u>3,617,366</u>	<u>3,367,284</u>

18 Creditors: amounts falling due after more than one year

	Notes	2017	2016 as restated
		£	£
Government grants	22	<u>112,031</u>	<u>130,894</u>

Obligations under finance leases are secured over the assets and what the agreements relate.

19 Finance lease obligations

	2017	2016
	£	£
Future minimum lease payments due under finance leases:		
Within one year	<u>-</u>	<u>140,394</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

20 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	21	452,796	477,157
		<u>452,796</u>	<u>477,157</u>

21 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	428,434	446,536
Short term timing differences	(6,259)	-
Investment property revaluations	30,621	30,621
	<u>452,796</u>	<u>477,157</u>
Movements in the year:		2017 £
Liability at 1 July 2016		477,157
Credit to profit or loss		(24,361)
Liability at 30 June 2017		<u>452,796</u>

22 Government grants

	2017 £	2016 £
Government grants	<u>112,031</u>	<u>130,894</u>

There are certain conditions, in place where, if breached, these grants may be required to be repaid.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

23 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	245,854	55,314

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.

Included within other creditors at the year end is £4,396 (2016- £4,616) in respect of outstanding employer pension contributions.

24 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
616,662 Ordinary shares of £1 each	616,662	616,662

25 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	53,143	74,916
Between two and five years	153,136	156,279
	206,279	231,195

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	166,200	-

27 Events after the reporting date

Subsequent to the year end, the company has declared dividends of £149,936.

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	349,913	243,181

29 Directors' transactions

During the year dividends of £190,836 (2016- £210,751) were declared to certain directors.

30 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	518,980	295,356
Adjustments for:		
Taxation charged/(credited)	154,909	(17)
Finance costs	9,109	22,221
(Gain)/loss on disposal of tangible fixed assets	(551)	932
Depreciation and impairment of tangible fixed assets	763,282	842,650
Movements in working capital:		
(Increase)/decrease in stocks	(53,557)	166,844
(Increase)/decrease in debtors	(1,057,844)	479,282
Increase in creditors	279,333	147,459
Cash generated from operations	613,661	1,954,727

JOHN GORDON & SON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

31 Prior period adjustment

Changes to the statement of financial position

	At 30 June 2016			As restated £
	As previously reported £	Adjustment at 1 Jul 2015 £	Adjustment at 30 Jun 2016 £	
Fixed assets				
Tangible assets	6,861,012	(158,000)	-	6,703,012
Investment properties	-	632,000	-	632,000
Provisions for liabilities				
Deferred tax	(446,536)	(30,621)	-	(477,157)
	<u>8,242,808</u>	<u>443,379</u>	<u>-</u>	<u>8,686,187</u>
Capital and reserves				
Revaluation reserve	-	443,379	-	443,379
	<u>-</u>	<u>443,379</u>	<u>-</u>	<u>443,379</u>

Changes to the income statement

	Period ended 30 June 2016		
	As previously reported £	Adjustment £	As restated £
Profit for the financial period	295,356	-	295,356
	<u>295,356</u>	<u>-</u>	<u>295,356</u>