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Grant Thornton

Financial statements Cyril Johnston and Company Limited

For the Year Ended 31 October 2009

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Company No NI 3426

Company information

Company registration number	NI 3426
Registered office	Ballynahinch Road Carryduff BT8 8DJ
Directors	Mr T W Johnston Mrs M E Johnston Mr D W Johnston Mr D C Johnston
Secretary	Mr D C Johnston
Bankers	Ulster Bank Limited 11 16 Donegal Sq East Belfast BT1 5UB
Solicitors	Carson & McDowell Murray House Murray Street Belfast
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Water s Edge Clarendon Dock BELFAST BT1 3BH

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 October 2009

Principal activities and business review

The company is principally engaged in the distribution of goods and machinery to the horticultural leisure and agricultural sectors There were no significant changes in the activities of the company

The directors consider that 2009 was a challenging year which saw turnover decrease by nearly 19% with gross margin reducing from 19% to 17% During the year the company incurred IT development expenditure of £171k (2008 £100k) in it s CISERO software development division It is planned to take CISERO software to market from 2010 onwards The directors see the CISERO software division helping to fulfil their aspirations to diversify the range of business activities

Results and dividends

The loss for the year amounted to £268 861 (2008 profit £22 824) The directors have not recommended a dividend

Financial risk management objectives and policies

The company uses various financial instruments including bank overdrafts other loans and cash and various items such as trade debtors trade creditors and amounts owed by related undertakings that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company s operations

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below The company does not make use of derivative transactions to minimise exposure to interest rates or foreign exchange

The main risks arising from the company s financial instruments are interest rate risk credit risk and liquidity risk

The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs The company policy throughout the year has been to ensure continuity of funding by matching the source of funds to the intended use of those funds so that fixed assets are financed out of reserves or longer term borrowing from the Cyril Johnston & Company Limited No 3 Trust Short term flexibility is achieved through the company's current account

Interest rate risk

The company finances its operations through a mixture of retained profits cash or overdrafts at bank and amounts owed to the directors The company exposure to interest rate fluctuations on its borrowings is managed through annual review of its borrowing requirements and where appropriate through the use of fixed or floating interest arrangements

Credit risk

The company's principal financial assets are cash and debtors The credit risk associated with cash is limited The principal credit risk arises therefore from debtors

In order to manage credit risk the directors assess potential customers based on a mixture of past history credit references and industry knowledge Amounts outstanding from customers are reviewed on an ongoing basis and those which are overdue are contacted about payment

Price and market risk

As the company does not normally make investments price risk is considered inconsequential

The company manages exposure to Euro and other foreign currency transactions through the use of dedicated bank accounts denominated in foreign currencies to which receipts are lodged, and out of which payments are made The directors monitor movements on the exchange rates on a regular basis and move funds when rates are favourable

Directors

The directors who served the company during the year were as follows

Mr T W Johnston
Mrs M E Johnston
Mr D W Johnston
Mr D C Johnston

Directors responsibilities

The directors are responsible for preparing the Directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and 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

In so far as the directors are aware

- there is no relevant audit information of which the company s auditor is unaware and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Grant Thornton UK LLP are deemed to be re appointed under section 487(2) of the Companies Act 2006

BY ORDER OF THE BOARD

Mr D C Johnston
Secretary
30 JULY 2010

Grant Thornton

Independent auditor's report to the members of Cyril Johnston and Company Limited

We have audited the financial statements of Cyril Johnston and Company Limited for the year ended 31 October 2009 which comprise the principal accounting policies profit and loss account balance sheet, cash flow statement 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)

This report is made solely to the company s members as a body in accordance with Sections 495 and 496 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 auditors

As explained more fully in the Directors Responsibilities Statement set out on page 5 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 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 (APB s) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB s website at www frc org uk/apb/scope/UKNP

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 October 2009 and of its loss 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent auditor's report to the members of Cyril Johnston and Company Limited

Matters on which we are required to report by exception

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

Grant Thornton UK LLP

Trevor Blayney
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor Chartered Accountants
Belfast
30 July 2010

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Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

Turnover

The turnover shown in the profit and loss accounts represents income from the distribution of goods and machinery to the horticultural and agricultural sectors

Amortisation

Amortisation is calculated so as to write off the cost of an asset less its estimated residual value over the useful economic life of that asset as follows

Goodwill	25% straight line

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value over the useful economic life of that asset as follows

Freehold Property	2% straight line
Plant & Machinery	15% straight line
Fixtures & Fittings	15% straight line
Motor Vehicles	25 % reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items

Pension costs

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets only to the extent that at the balance sheet date there is a binding agreement to dispose of the assets concerned However no provision is made where on the basis of all available evidence at the balance sheet date it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial instruments

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 entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2009 £	2008 £
Turnover	1	**13 373 004**	16 610 499
Cost of sales		**11 061 914**	13 406 139
Gross profit		**2 311 090**	3 204 360
Other operating charges	2	**2 644,862**	3 213 206
Other operating income	3	**(59 232)**	(57 287)
Operating (loss)/profit	4	**(274 540)**	48 441
Interest receivable		**1 387**	19 575
Interest payable and similar charges	7	**(22 832)**	(41 951)
(Loss)/profit on ordinary activities before taxation		**(295 985)**	26 065
Tax on (loss)/profit on ordinary activities	8	**(27 124)**	3 241
(Loss)/profit for the financial year		**(268,861)**	22 824
Balance brought forward		**4 301 589**	4 278 765
Balance carried forward		**4 032 728**	4 301 589

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	9	**1 317 646**	1 383 125
Current assets			
Stocks	10	**2 747 210**	4 377 561
Debtors	11	**1 058 939**	1 367 980
Cash at bank and in hand		**827 353**	107 686
		4 633 502	5 853 227
Creditors amounts falling due within one year	12	**1 596 210**	2 611 688
Net current assets		**3 037 292**	3 241 539
Total assets less current liabilities		**4 354 938**	4 624 664
Creditors amounts falling due after more than one year	13	**300 000**	300 000
Provisions for liabilities			
Deferred taxation	14	**12 210**	13 075
		4 042 728	4 311 589
Capital and reserves			
Called up equity share capital	17	**10 000**	10 000
Profit and loss account		**4 032 728**	4 301 589
Shareholders funds	19	**4 042 728**	4 311 589

These financial statements were approved by the directors and authorised for issue on 30 JULY 2010 and are signed on their behalf by

Mr D W Johnston
Director

Company Registration Number NI 3426

Cash flow statement

	Note	2009 £	2008 £
Net cash inflow/(outflow) from operating activities		**1 040 084**	(281 389)
Returns on investments and servicing of finance			
Interest received		**1,387**	19 575
Interest paid		**(22 832)**	(41 951)
Net cash outflow from returns on investments and servicing of finance		**(21 445)**	(22 376)
Taxation		**(16 466)**	(48 610)
Capital expenditure			
Payments to acquire tangible fixed assets		**(65 100)**	(67 898)
Receipts from sale of fixed assets		**14 536**	8 930
Net cash outflow from capital expenditure		**(50 564)**	(58 968)
Cash inflow/(outflow) before use of liquid resources and financing		**951 609**	(411 343)
Management of liquid resources			
Cash placed in short term deposits		**11 074**	(14 603)
Net cash inflow/(outflow) from management of liquid resources		**11 074**	(14 603)
Financing			
Repayment of directors long term loans		**–**	(50 000)
Net cash outflow from financing		**–**	(50 000)
Increase/(decrease) in cash		**962 683**	(475 946)

Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	2009	2008
	£	£
Operating (loss)/profit	**(274 540)**	48 441
Amortisation	**–**	15 000
Depreciation	**111 309**	133 115
Loss on disposal of fixed assets	**4 734**	11 536
Decrease/(increase) in stocks	**1 630 351**	(748 771)
Decrease in debtors	**335 300**	149 580
(Decrease)/increase in creditors	**(767 070)**	109 710
Net cash inflow/(outflow) from operating activities	**1 040 084**	(281 389)

Reconciliation of net cash flow to movement in net funds

	2009	2008
	£	£
Increase/(decrease) in cash in the period	**962 683**	(475 946)
Cash outflow from directors long term loans	**–**	50 000
Cash used to decrease/increase liquid resources	**(11,074)**	14 603
	951 609	(411 343)
Change in net funds	**951 609**	(411 343)
Net debt at 1 November 2008	**(660 904)**	(249 561)
Net funds at 31 October 2009	**290 705**	(660 904)

Analysis of changes in net funds

	At 1 Nov 2008	Cash flows	At 31 Oct 2009
	£	£	£
Cash in hand and at bank	107 686	719 667	827 353
Overdrafts	(468 590)	231 942	(236 648)
Less deposits treated as liquid resources	(91 089)	11 074	(80 015)
Deposits included in cash	91 089	(11 074)	80 015
Debt due after 1 year	(300 000)	–	(300 000)
Net funds	(660 904)	951 609	290 705

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2009	2008
	£	£
United Kingdom	**13 373 004**	16 610 499

2 Other operating charges

	2009	2008
	£	£
Distribution costs	**1 553,556**	2 026 547
Administrative expenses	**1 091 306**	1 186 659
	2 644 862	3 213 206

3 Other operating income

	2009	2008
	£	£
Rent receivable	**39 458**	48 587
Commission receivable	**19 774**	8 700
	59 232	57 287

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2009	2008
	£	£
Amortisation of intangible assets	**–**	15 000
Depreciation of owned fixed assets	**111 309**	133 115
Loss on disposal of fixed assets	**4 734**	11 536
Auditor's remuneration		
Audit fees	**8 520**	10 300

5 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2009 No	2008 No
Number of distribution staff	52	57
Number of administrative staff	14	16
	66	73

The aggregate payroll costs of the above were

	2009 £	2008 £
Wages and salaries	1,364 259	1 895 326
Social security costs	160 189	27 765
Other pension costs	8 020	16 119
	1 532 468	1 939 210

6 Directors

Remuneration in respect of directors was as follows

	2009 £	2008 £
Remuneration receivable	150 025	125 300

7 Interest payable and similar charges

	2009 £	2008 £
Interest payable on bank borrowing	15 022	15 551
Other similar charges payable	7 810	26 400
	22 832	41 951

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2009 £	2008 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 21% (2008 28%)	**(25 746)**	16 466
Over/under provision in prior year	**(513)**	
Total current tax	**(26 259)**	16 466
Deferred tax		
Origination and reversal of timing differences	**(865)**	(13 225)
Tax on (loss)/profit on ordinary activities	**(27 124)**	3 241

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21% (2008 28%)

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	**(295 985)**	26 065
(Loss)/profit on ordinary activities by rate of tax	**(62 157)**	7 298
Expenses not deductible for tax purposes	**31 683**	6 652
Difference between depreciation and capital allowances	**3 979**	8 953
Utilisation of tax losses	**(25 746)**	
Unrelieved tax losses	**26 495**	
Adjustments to tax charge in respect of previous periods	**(513)**	(372)
Rounding on tax charge		1
Tax Credits		(6 066)
Total current tax (note 8(a))	**(26 259)**	16 466

9 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 November 2008	1 275 505	145 721	363 816	342 985	2 128 027
Additions	22 533	1 390	17 241	23 936	65 100
Disposals	–	(4 968)	–	(67 243)	(72 211)
At 31 October 2009	1 298 038	142 143	381 057	299 678	2 120 916
Depreciation					
At 1 November 2008	219 473	101 001	217 657	206 771	744 902
Charge for the year	20 561	11 707	44 877	34 164	111 309
On disposals	–	(4 968)	–	(47 973)	(52 941)
At 31 October 2009	240 034	107 740	262 534	192 962	803 270
Net book value					
At 31 October 2009	**1 058 004**	**34 403**	**118 523**	**106 716**	**1 317 646**
At 31 October 2008	1 056 032	44 720	146 159	136 214	1 383 125

10 Stocks

	2009 £	2008 £
Finished goods	**2 747 210**	4 377 561

11 Debtors

	2009 £	2008 £
Trade debtors	**932 787**	1 286 696
Amounts owed by group undertakings	**11 813**	512
Corporation tax repayable	**26 259**	–
Other debtors	**31 999**	2 601
Prepayments and accrued income	**56 081**	78 171
	1 058 939	1 367 980

12 Creditors amounts falling due within one year

	2009	2008
	£	£
Overdrafts	**236 648**	468 590
Trade creditors	**931 420**	1 014 185
Corporation tax	**–**	16 466
Other taxation and social security	**249 729**	130 492
Other creditors	**80 123**	78 687
Directors current accounts	**59 107**	124 877
Accruals and deferred income	**39,183**	778 391
	1 596 210	2 611 688

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2009	2008
	£	£
Overdrafts	**236 648**	742 487

The bank overdraft is secured by a fixed and floating charge over the assets of the company

13 Creditors amounts falling due after more than one year

	2009	2008
	£	£
Directors loan accounts	**300,000**	300 000

14 Deferred taxation

The movement in the deferred taxation provision during the year was

	2009	2008
	£	£
Provision brought forward	**13 075**	26 300
Profit and loss account movement arising during the year	**(865)**	(13 225)
Provision carried forward	**12 210**	13 075

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2009	2008
	£	£
Excess of taxation allowances over depreciation on fixed assets	**12 210**	13 075

15 Derivatives

The company does not make use of derivative instruments

16 Related party transactions

The ultimate controlling party is considered to be the directors by virtue of their shareholdings which are set out in the Directors Report

Transactions with related parties are as follows

The company is related to Cyril Johnston Hire Limited and the directors The amounts due from related parties and due by related parties as at the year end are disclosed in the notes to the financial statements as amounts owed by related undertakings and directors current accounts

17 Share capital

Authorised share capital

	2009 £	2008 £
10 000 Ordinary shares of £1 each	**10 000**	10 000

Allotted called up and fully paid

	2009 No	2009 £	2008 No	2008 £
10 000 Ordinary shares of £1 each	**10 000**	**10 000**	10 000	10 000

18 Profit and loss account

	2009 £	2008 £
Balance brought forward	**4 301 589**	4 278 765
(Loss)/profit for the financial year	**(268 861)**	22 824
Balance carried forward	**4 032 728**	4 301 589

19 Reconciliation of movements in shareholders funds

	2009 £	2008 £
(Loss)/Profit for the financial year	**(268 861)**	22 824
Opening shareholders funds	**4 311 589**	4 288 765
Closing shareholders funds	**4 042 728**	4 311 589