

JAMES JONES & SONS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019



JAMES JONES & SONS LIMITED

DIRECTORS AND ADVISERS

Directors	T R Bruce-Jones R T Stevenson R E Boyd E F Balfour D S Leslie G Blyth A F S Leslie P McKenzie S Roberts
Secretary	S Roberts
Company number	SC005832
Registered office	Broomage Avenue Larbert FK5 4NQ
Registered auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

JAMES JONES & SONS LIMITED

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JAMES JONES & SONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Strategic report

The Directors present the strategic report and financial statements for the year ended 31 December 2019.

Fair review of the business

The Group delivered a reduced operating profit for the year of £11.0m (2018-£19.7m) due primarily to lower sawn timber and EWP production, higher raw material costs, depressed demand and falling sales prices due to the significant market uncertainties caused by the multiple Brexit deadlines and the UK General Election. The pallet and packaging division within the Group enjoyed a record year in terms of turnover and profits. The Group added 2 new sites to its pallet operations and commissioned a new automated production line in the Timber Systems Division at Forres. A major investment was also completed at Aboyne sawmill which will increase capacity and efficiency.

The Group's financial position remained strong with net assets of £417m (2018-£420m), and cash reserves increasing to £279m at the year-end. This was largely due to dividends from the Stella Jones International sale of its investment in Stella-Jones Inc in 2018, and the disposal of shareholding in Stella Jones International. This cash has been earmarked for future capital investments in the existing sites, commercial woodlands and strategic acquisitions.

Future Developments

Whilst the Board believes that the results represent a solid performance and the Group's financial position provides a strong platform for future trading, significant adverse trading challenges continue to be faced in the current year due to the ongoing overhang of Brexit uncertainty and the lockdown caused by the Covid-19 virus, and these two threats will impact profits. The Group is continuing to take a long term view on investments in its existing infrastructure to increase production and deliver efficiencies, and is evaluating multiple acquisition opportunities within the sector and in related industries.

The Group places great importance on fostering strong business relationships with existing, and potential, clients and through progressive R&D programmes to broaden the range of products and services.

Principal risks and uncertainties

The Directors consider the main risks to the business to be selling price volatility, the supply and price of raw materials and the demand for its products. The Group seeks to manage these by entering into medium and long term supply agreements with key suppliers and customers with whom it has well established and mutually beneficial relationships. The Group is affected by the movement in exchange rates and other global factors which influence the price of imported timber, and hence the price of UK manufactured timber. The Group has significant cash balances and these funds are being invested prudently with a number of long standing well capitalised financial institutions. The Group makes material and capital purchases in other foreign currencies and, where appropriate, the Group will enter into hedging arrangements to protect against adverse foreign exchange movements.

The global Covid-19 pandemic with the unprecedented closure of schools, businesses, public services and enforced social distancing will undoubtedly have a significant short, medium and long term impact on the Group's customer base and the UK and global construction and housebuilding sectors. The Group has worked tirelessly to address the issues from Covid-19 to ensure the health and safety of our employees, suppliers, customers and the general public. Secondly, the Group has taken measures to mitigate as many risks as possible to secure employment for our loyal employees and to meet the service and product requirements to all our valued customers. The Group Board would like to take this opportunity to thank the entire James Jones employee base for their hard work and dedication throughout one of the most financially challenging times in the Company's history.

People & Communities

The Group continues to invest time in employee training programmes, staff development, graduate schemes, succession planning, and the employee base has grown from 800 to 873 average employees over the last 12 months, an increase of 9%.

The most valuable asset of James Jones is the quality of our staff and workforce and it is the Group's strategic aim to create a high performance culture in the safest possible environment. Health and Safety is a key Board consideration and significant investment has been made in the H&S team and in procedures and measures at all Group sites. The Group is a multi-site business across the UK and has implemented communication mechanisms to inform employees of key information and changes across the Group, as well as informing local communities, leaders and schools about our activities. The Group takes advice on all employment, benefits and legal matters and consults

JAMES JONES & SONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

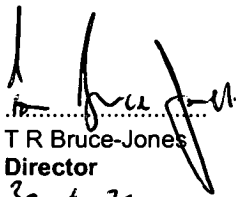
with the employee base on a regular basis. Key financial information affecting the performance of the Group is shared with all senior and site management.

The Group operates a number of employee bonus schemes to create a competitive and efficient culture to deliver a strong and profitable company performance.

Key Performance Indicators

The Group uses a number of KPIs to measure performance, the most notable of which are selling price and raw material price. With significant capital investment having already been made and planned over the next five years, return on capital remains a key focus for the Board.

On behalf of the board



.....
T R Bruce-Jones
Director
30.4.20
.....

JAMES JONES & SONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and financial statements for the year ended 31 December 2019.

Principal activities

The Group's principal activities are sawmilling, timber harvesting and the manufacture of pallets and engineered wood products. There have not been any significant changes in the Group's principal activities during the year under review and the directors are not aware, at the date of this report, of any likely major changes.

Results and dividends

As shown in the Group's consolidated statement of total comprehensive income on page 8, the Group turnover increased from £187.7 million to £189.5 million and operating profit decreased from £19.7 million to £11.0 million.

A final dividend of £19 per share, and exceptional dividend of £40 per share was paid in the year in relation to 2018. The directors have proposed a final dividend of £15 per share for the current year. This will be recommended to the shareholders at the company's Annual General Meeting.

Directors

The following directors have held office since 1 January 2019:

T R Bruce-Jones

R T Stevenson

M F B Leslie (Resigned 21 November 2019)

R E Boyd

A J Miller (Resigned 31 December 2019)

E F Balfour

D S Leslie

G Blyth (Appointed 1 January 2019)

A F S Leslie (Appointed 7 June 2019)

P McKenzie (Appointed 1 September 2019)

S Roberts (Appointed 6 January 2020)

Disabled persons

It is Group policy that there should be no unfair discrimination in considering applications for employment including those from disabled persons. Should any employee become disabled during the course of his/her employment, every practical effort is made to provide employment and necessary retraining.

Employee involvement

The wide geographical distribution of the Group's operating locations make it difficult, but nonetheless essential, to communicate with employees. The frequent site visits which are made by senior management enable employees to have direct access to Group policies.

Environment and health and safety

The directors recognise the importance of the Group's environmental and health and safety responsibilities and continuously monitor the Group's performance and policies in these areas.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487 (2) of the Companies Act 2006.

JAMES JONES & SONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 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 Group and of the profit or loss of the Group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, the directors 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 Group's auditor is aware of that information.

On behalf of the board



.....

T R Bruce-Jones
Director

30.4.20
.....

JAMES JONES & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JAMES JONES & SONS LIMITED

Opinion

We have audited the financial statements of James Jones & Sons Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprises the consolidated statement of total comprehensive income, group balance sheet, company balance sheet, group statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's and group's affairs as at 31 December 2019, 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 group 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 group'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 strategic report, and directors' 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.

JAMES JONES & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JAMES JONES & SONS 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 our knowledge and understanding of the company and group 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 in relation to which 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 parent company 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 statement of directors' responsibilities set out on page 4, 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 group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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.

JAMES JONES & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JAMES JONES & SONS 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 group'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 groups' or parent 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 group or parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Use of our report

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

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)

for and on behalf of Johnston Carmichael LLP

Chartered Accountants

Statutory Auditor

1 May 2020

7-11 Melville Street
Edinburgh
EH3 7PE

JAMES JONES & SONS LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Turnover	3	189,469	187,719
Cost of sales		<u>(143,834)</u>	<u>(133,305)</u>
Gross profit		45,635	54,414
Distribution costs		(18,246)	(19,061)
Administrative expenses		(17,149)	(16,966)
Other operating income	3	<u>791</u>	<u>1,360</u>
Operating profit	4	11,031	19,747
Joint ventures and associates – share of operating profit net of disposals		(4,529)	191,273
Joint ventures and associates – share of net interest		1,745	1,073
Gain on derivative financial instruments		-	476
Interest receivable and similar income	3	2,238	223
Interest payable and similar charges		(95)	(103)
Other dividends receivable		<u>162</u>	<u>-</u>
Profit before taxation		10,552	212,689
Taxation	8	<u>(3,735)</u>	<u>(6,988)</u>
Profit after taxation		6,817	205,701
Group		10,415	16,214
Joint ventures and associates		<u>(3,598)</u>	<u>189,487</u>
		6,817	205,701
Other comprehensive income			
Actuarial (loss)/gain on pension scheme		1,120	(75)
Movement in restriction on recognised surplus	23	<u>(1,211)</u>	<u>36</u>
		6,726	205,662
Currency translation difference on foreign currency net investments		-	(893)
Joint venture – other comprehensive income movements	12	<u>7,891</u>	<u>3,460</u>
Total comprehensive income for the year		<u>14,617</u>	<u>208,229</u>
Group		10,324	16,175
Joint ventures and associates		<u>4,293</u>	<u>192,054</u>
		<u>14,617</u>	<u>208,229</u>

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

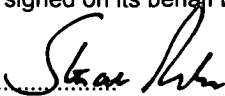
JAMES JONES & SONS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	10		1,649		2,088
Tangible assets	11		93,478		61,479
Investments	12		<u>7,701</u>		<u>172,939</u>
			102,828		236,506
Current assets					
Stocks	13	26,639		21,364	
Debtors	15	33,645		123,924	
Cash at bank and in hand	16	<u>279,316</u>		<u>69,180</u>	
		339,600		214,468	
Creditors: amounts falling due within one year	17	<u>(23,670)</u>		<u>(29,589)</u>	
Net current assets			315,930		184,879
Long term debtors	15		<u>894</u>		<u>1,287</u>
Total assets less current liabilities			419,652		422,672
Creditors: amounts falling due after more than one year	18		(1,431)		(1,613)
Provisions for liabilities	21		<u>(1,049)</u>		<u>(1,030)</u>
Net assets			<u>417,172</u>		<u>420,029</u>
Capital and reserves					
Called up share capital	24		292		292
Revaluation reserve			191		191
Other reserves			1,073		17,353
Capital redemption reserve			98		98
Profit and loss reserves			<u>415,518</u>		<u>402,095</u>
Total equity			<u>417,172</u>		<u>420,029</u>

These financial statements were approved by the board of directors and authorised for issue on ... *30th April 2020* and are signed on its behalf by:


S Roberts
 Director

Company Registration No. SC005832

JAMES JONES & SONS LIMITED


COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	11		87,043		55,603
Investments	12		<u>18,788</u>		<u>17,742</u>
			105,831		73,345
Current assets					
Stocks	13	22,670		16,810	
Debtors	15	24,057		118,990	
Cash at bank and in hand	16	<u>277,287</u>		<u>68,422</u>	
		324,014		204,222	
Creditors: amounts falling due within one year	17	<u>(17,552)</u>		<u>(26,325)</u>	
Net current assets			306,462		177,897
Total assets less current liabilities			<u>412,293</u>		<u>251,242</u>
Creditors: amounts falling due after more than one year	18		(1,431)		(1,613)
Provisions for liabilities	21		(823)		(823)
Net assets			<u>410,039</u>		<u>248,806</u>
Capital and reserves					
Called up share capital	24		292		292
Revaluation reserve			191		191
Other reserves			1,073		1,073
Capital redemption reserve			98		98
Profit and loss reserves			<u>408,385</u>		<u>247,152</u>
Total equity			<u>410,039</u>		<u>248,806</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £178,798,000 (2018 - £160,113,000).

These financial statements were approved by the board of directors and authorised for issue on 30th April 2020 and are signed on its behalf by:


S Roberts

Director

Company Registration No. SC005832

JAMES JONES & SONS LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2019

	Notes	Share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2018		292	216	97	14,786	207,097	222,488
Profit for the year		-	-	-	-	205,701	205,701
Transfers		-	(25)	-	-	25	-
Other comprehensive income		-	-	-	2,567	(39)	2,528
Total comprehensive income for the year		-	(25)	-	2,567	205,687	208,229
Share redemption		-	-	1	-	(454)	(453)
Dividends	9	-	-	-	-	(10,235)	(10,235)
Balance at 31 December 2018		<u>292</u>	<u>191</u>	<u>98</u>	<u>17,353</u>	<u>402,095</u>	<u>420,029</u>
As at 1 January 2019		292	191	98	17,353	402,095	420,029
Profit for the year		-	-	-	-	6,817	6,817
Transfers		-	-	-	-	-	-
Other comprehensive income		-	-	-	7,891	(91)	7,800
Total comprehensive income for the year		-	-	-	7,891	6,726	14,617
Share redemption		-	-	-	-	(246)	(246)
Transfers		-	-	-	(24,171)	24,171	-
Dividends	9	-	-	-	-	(17,228)	(17,228)
Balance at 31 December 2019		<u>292</u>	<u>191</u>	<u>98</u>	<u>1,073</u>	<u>415,518</u>	<u>417,172</u>

JAMES JONES & SONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

	Notes	Share capital £000	Revaluation reserve £000	Capital redemption reserve £000	Other reserves £000	Profit and loss reserves £000	Total £000
Balance at 1 January 2018		292	216	97	1,073	97,742	99,420
Profit for the year		-	-	-	-	160,113	160,113
Transfers		-	(25)	-	-	25	-
Other comprehensive income		-	-	-	-	(39)	(39)
Total comprehensive income for the year		-	(25)	-	-	160,099	160,074
Share redemption		-	-	1	-	(454)	(453)
Dividends	9	-	-	-	-	(10,235)	(10,235)
Balance at 31 December 2018		292	191	98	1,073	247,152	248,806
Balance at 1 January 2019		292	191	98	1,073	247,152	248,806
Profit for the year		-	-	-	-	178,798	178,798
Transfers		-	-	-	-	-	-
Other comprehensive income		-	-	-	-	(91)	(91)
Total comprehensive income for the year		-	-	-	-	178,707	178,707
Share redemption		-	-	-	-	(246)	(246)
Dividends	9	-	-	-	-	(17,228)	(17,228)
Balance at 31 December 2019		292	191	98	1,073	408,385	410,039

JAMES JONES & SONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£000	£000
Cash flows from operating activities			
Cash generated from operations	30	17,377	16,001
Interest paid		(95)	(103)
Taxation		<u>(3,859)</u>	<u>(3,469)</u>
Net cash inflow from operating activities		13,423	12,429
Investing activities			
Purchase of tangible fixed assets		(40,833)	(16,169)
Payments to acquire intangibles		(25)	(19)
Proceeds on disposal of tangible fixed assets		320	559
Repayment of investments		228	469
Repayments of other loans		-	177
Cash received on sale of investment in joint venture		441	-
Purchase of subsidiaries		-	(1,917)
Cash acquired on purchase of subsidiary		-	1,341
Finance provided to unlisted investments		(1,630)	(221)
Interest received		2,238	223
Dividends received		<u>252,904</u>	<u>60,518</u>
Net cash used in investing activities		213,643	44,961
Financing activities			
Amounts received under finance leases		353	126
Purchase of assets under finance lease		-	(923)
Capital element of finance lease obligations		(55)	(76)
Dividends paid		<u>(17,228)</u>	<u>(10,235)</u>
Net cash used in financing activities		<u>(16,930)</u>	<u>(11,108)</u>
Increase in cash and cash equivalents		210,136	46,282
Cash and cash equivalents at beginning of year		<u>69,180</u>	<u>22,898</u>
Cash and cash equivalents at end of year		<u>279,316</u>	<u>69,180</u>
Analysis of net debt:			
Cash at bank and in hand		279,316	69,180
Short term deposits included in current asset investments		<u>-</u>	<u>-</u>
Total cash and cash equivalents at end of year		<u>279,316</u>	<u>69,180</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

James Jones & Sons Limited ("the company") is a limited company domiciled and incorporated in Scotland. The registered office is Broomage Avenue, Larbert, Stirlingshire, FK5 4NQ.

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 £000.

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

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of James Jones & Sons Limited and all its subsidiary undertakings. Intra Group sales and purchases are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. The acquisition method of accounting is used to account for the purchase of subsidiaries. Goodwill arising on consolidation represents the difference between the fair value of the identifiable assets and liabilities of the business acquired, in accordance with FRS 102 sections 18 and 19.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual agreement are treated as joint ventures. In the Group statements, joint ventures are accounted for using the equity method with an allowance for tax on undistributed profits.

Entities other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence, are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

In the parent company financial statements investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

1.3 Turnover

Turnover is the fair value of consideration received or receivable for timber products and related services invoiced during the year, net of VAT.

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.

Revenue from the sale of services represents the value of services provided under contracts to the client that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

1.4 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 5 - 10 years.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

1.5 Tangible fixed assets

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

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

Land	Not depreciated
Buildings	Straight line over twelve years
Plant and machinery	Straight line between three and twenty years
Fixtures, fittings & equipment	20% reducing balance
Motor vehicles	Straight line over 4 years

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 recognised in the profit and loss account.

Included in land and buildings is freehold land of £44,361,305 (2018 - £12,926,055) which has not been depreciated.

1.6 Investment properties

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

1.7 Fixed asset investments

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

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

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

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

Dividends are recorded as receivable once declared, as there is then a reasonable expectation that the amount will be received.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

1.8 Impairment of fixed assets

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

1.9 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Standing timber stock is estimated as the potential yield from an area of woodland. Should the actual yield be lower or higher than estimated then this would have an adverse/positive effect on the future results of the company.

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

1.10 Financial instruments

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 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.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance income/finance cost as appropriate.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash in hand and short-term deposits held at call with banks.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price including transaction costs. Any losses arising from an impairment review at the reporting date are recognised in the profit and loss account.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

Classification of financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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.

1.11 Equity instruments

Equity instruments issued by the Group are recorded as 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 Group.

1.12 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 profit and loss account because it excludes items of income and 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 date.

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 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. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The deferred tax balance has not been discounted.

1.13 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.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (continued)

1.14 Retirement benefits

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

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

1.15 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 balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease receivables are stated at net investment less rentals received. Net investment is the cost of the assets purchased at fair value. Rentals received are calculated at a rate to recover the net investment in equal instalments over 3 to 10 years.

Assets acquired under finance leases are capitalised in the balance sheet and the corresponding liability is recorded in the balance sheet as a finance lease obligation. Assets acquired under finance leases are depreciated in accordance with the Group's depreciation policy for that class of asset. The interest elements of the rental obligations are charged in profit and loss over the period of the lease and HP contract and represent a constant proportion of the balance of capital repayments outstanding.

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.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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.

1.17 Foreign exchange

Profit and loss accounts and balance sheets of overseas joint ventures are translated into sterling at the exchange rates ruling at the year end date. Exchange differences arising on consolidation are dealt with through reserves. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

1.18 Hedge accounting

The company uses forward currency contracts to hedge foreign exchange risk. Exchange rate differentials are recognised net through finance income. Dividends receivable are revalued to fair value at the year-end using the forward rate.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. 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.

Defined benefit pension scheme

Estimates are used when calculating the assets and liabilities of the defined benefit pension scheme. Scheme liabilities are estimated as the present value of benefit payments made over the future lifetimes of current scheme members and their beneficiaries. In order to calculate the present value, the directors have had to estimate an applicable discount rate. The directors are also required to estimate the future lifetimes of current scheme members. Adverse changes to the assumptions in future could have an adverse effect on the future results of the company.

Standing timber stock

Standing timber stock is estimated as the potential yield from an area of woodland. Should the actual yield be lower or higher than estimated then this would have an adverse/positive effect on the future results of the company.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

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

	2019 £000	2018 £000
Turnover		
Sale of goods	170,651	171,906
Sale of services	18,818	15,813
	<u>189,469</u>	<u>187,719</u>
	2019 £000	2018 £000
Interest income	2,238	223
Investment income	162	-
	<u></u>	<u></u>
Other operating income	369	475
RDEC income	422	885
	<u>791</u>	<u>1,360</u>

The total turnover of the Group for the year has been derived from its principal activities primarily undertaken in the United Kingdom.

4 Operating profit

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

Operating profit is stated after charging / (crediting):

	2019 £000	2018 £000
Depreciation of owned tangible assets	8,612	7,914
Depreciation of tangible fixed assets held under finance leases	80	80
Profit on disposal of tangible fixed assets	(178)	(313)
Amortisation of intangible assets	409	431
Cost of stocks recognised as an expense	95,880	89,889
Operating lease charges	805	819

5 Auditors' remuneration

Fees payable to the company's auditor and its associates:

For audit services

Audit of financial statements of : the company
: subsidiaries

	2019 £000	2018 £000
Audit of financial statements of : the company	44	40
: subsidiaries	36	31
	<u>80</u>	<u>71</u>

For other services

Taxation compliance services : the company
: subsidiaries

All other non-audit services

	2019 £000	2018 £000
Taxation compliance services : the company	9	9
: subsidiaries	8	8
All other non-audit services	32	24
	<u>49</u>	<u>41</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

Number of employees	2019 Number	2018 Number
The average monthly number of employees (including directors) during the year was:		
Production	658	599
Management and office	215	201
	<u>873</u>	<u>800</u>

Employment costs	2019 £000	2018 £000
Wages and salaries	29,334	27,722
Social security costs	2,734	2,665
Other pension costs	2,546	2,481
	<u>34,614</u>	<u>32,868</u>

7 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	<u>1,618</u>	<u>2,278</u>

No directors accrued retirement benefits under either defined contribution or defined benefit schemes in the year, or in the prior year.

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

	2019 £000	2018 £000
Remuneration for qualifying services	<u>488</u>	<u>627</u>

The directors are considered to be the key management of the company and Group.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8	Taxation	2019 £000	2018 £000
	Current tax		
	U.K. corporation tax on profits for the current period	2,827	4,119
	Adjustments in respect of prior periods	75	36
	Total UK current tax	2,902	4,155
	Share of joint ventures tax	814	3,170
	Total current tax	3,716	7,325
	Deferred tax		
	Origination and reversal of timing differences	43	(104)
	Adjustment in respect of prior periods	(24)	80
	Share of joint ventures tax	-	(313)
	Total deferred tax	19	(337)
	Total tax charge	3,735	6,988
		2019 £000	2018 £000
	The charge for the year can be reconciled to the profit per the profit and loss account as follows:		
	Profit before taxation	10,552	212,689
	Expected tax charge based on a corporation tax rate of 19% (2018: 19%)	2,005	40,411
	Tax effect of expenses that are not deductible in determining taxable profit	73	112
	Tax effect of income not taxable in determining taxable profit	(34)	(29)
	Adjustments in respect of prior years	75	34
	Fixed asset differences	388	233
	Loan relationship adjustments	8	15
	Deferred tax adjustments in respect of prior years	(24)	82
	Difference in joint venture companies tax	1,352	(5,744)
	Deferred tax adjustment in current year	(5)	(112)
	Deferred tax not recognised	-	2
	R&D tax credit	(73)	(179)
	Unremitted earnings	-	(313)
	Exempt dividend income	(30)	(27,538)
	Chargeable gains / (losses)	-	14
	Tax expense for the year	3,735	6,988

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9	Dividends		2019 £000	2018 £000
	Final paid		17,228	10,235
<hr/>				
10	Intangible fixed assets			
	Group			
		Software costs £000	Goodwill £000	Total £000
	Cost			
	At 1 January 2019	214	4,113	4,327
	Additions	25	-	25
	Negative goodwill	-	(55)	(55)
	At 31 December 2019	239	4,058	4,297
	Amortisation			
	At 1 January 2019	105	2,134	2,239
	Charge for the year	47	362	409
	At 31 December 2019	152	2,496	2,648
	Carrying amount			
	At 31 December 2019	87	1,562	1,649
	At 31 December 2018	109	1,979	2,088

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets Group

	Assets under construction £000	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 January 2019	-	28,547	109,669	13,169	151,385
Additions	64	31,339	7,351	2,079	40,833
Disposals	-	-	-	(1,192)	(1,192)
Transfers	-	-	-	-	-
At 31 December 2019	<u>64</u>	<u>59,886</u>	<u>117,020</u>	<u>14,056</u>	<u>191,026</u>
Depreciation					
At 1 January 2019	-	10,767	68,902	10,237	89,906
On disposals	-	-	-	(1,050)	(1,050)
Charge for the year	-	478	6,328	1,886	8,692
At 31 December 2019	<u>-</u>	<u>11,245</u>	<u>75,230</u>	<u>11,073</u>	<u>97,548</u>
Net book values					
At 31 December 2019	<u>64</u>	<u>48,641</u>	<u>41,790</u>	<u>2,983</u>	<u>93,478</u>
At 31 December 2018	<u>-</u>	<u>17,780</u>	<u>40,767</u>	<u>2,932</u>	<u>61,479</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets (continued)

Company

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation				
At 1 January 2019	24,267	104,672	12,739	141,678
Additions	31,211	6,793	1,649	39,653
Disposals	-	-	(1,058)	(1,058)
At 31 December 2019	<u>55,478</u>	<u>111,465</u>	<u>13,330</u>	<u>180,273</u>
Depreciation				
At 1 January 2019	10,379	65,561	10,135	86,075
Depreciation charged in the year	331	6,062	1,736	8,129
Eliminated in respect of disposals	-	-	(974)	(974)
At 31 December 2019	<u>10,710</u>	<u>71,623</u>	<u>10,897</u>	<u>93,230</u>
Net book values				
At 31 December 2019	<u>44,768</u>	<u>39,842</u>	<u>2,433</u>	<u>87,043</u>
At 31 December 2018	<u>13,888</u>	<u>39,111</u>	<u>2,604</u>	<u>55,603</u>

Included in both the Group and company's tangible fixed assets are assets held under finance leases or hire purchase contracts with net book values as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Plant and machinery	<u>880</u>	<u>960</u>	<u>880</u>	<u>960</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Fixed asset investments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Investments in joint ventures & associates (company: joint ventures and subsidiaries)	840	167,479	11,927	12,282
Unlisted investments	6,861	5,460	6,861	5,460
	<u>7,701</u>	<u>172,939</u>	<u>18,788</u>	<u>17,742</u>

Movements in fixed asset investments

Group

	Investments in joint ventures and associates £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 January 2019	167,479	5,460	172,939
Share of profit after tax	973	-	973
Exchange movements	7,891	-	7,891
Disposals	(4,974)	-	(4,974)
Dividends received	(170,529)	-	(170,529)
Additions	-	1,630	1,630
Repaid	-	(229)	(229)
At 31 December 2019	<u>840</u>	<u>6,861</u>	<u>7,701</u>

Company

	Share in Group undertakings £000	Unlisted investments £000	Total £000
Cost or valuations			
At 1 January 2019	12,282	5,460	17,742
Additions	-	1,630	1,630
Repaid	(355)	(229)	(584)
At 31 December 2019	<u>11,927</u>	<u>6,861</u>	<u>18,788</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

12 Fixed asset investments (continued)

The company holds investments in the following entities:

Name of undertaking	Country of incorporation	Nature of business	Class of shareholding	% Held	
				Direct	Indirect
Larch Limited (a)	England	Dormant subsidiary	Ordinary		100.00
Unit Investments Limited (a)	England	Holding company	Ordinary		100.00
Unit Pallets Limited (a)	England	Dormant subsidiary	Ordinary		100.00
TWP Packaging Limited (a)	England	Dormant subsidiary	Ordinary		100.00
JJPM Newco Limited (a)	England	Holding company	Ordinary		100.00
Trueperch Export Services Limited (a)	England	Pallet manufacturer	Ordinary		100.00
Billington (International) Limited (a)	England	Pallet collar distributor	Ordinary		100.00
James Jones & Sons (Pallets and Packaging) Limited	Scotland	Pallet manufacturer	Ordinary	100.00	

(a) Held by subsidiary undertaking

Joint ventures and associates are:

- Stella Jones International S.A., a holding company registered in Luxembourg, of which the Group owned 49% of the issued share capital and had joint management control. The shareholding in Stella Jones International S.A. was sold on 3 July 2019 for CAD \$735,000. The net cost on disposal was £4.6m.
- ST & JJ Limited, a holding company registered in Scotland, of which the Group owns 50% of the share capital.
- United Box Limited, a company registered in Scotland, whose principal activities are box manufacturing. United Box Limited is an 100% subsidiary of ST & JJ Limited.
- Upall Limited is a company registered in England and a manufacturer of plastic products. James Jones & Sons (Pallets and Packaging) Limited holds 37.5% of the share capital of Upall Limited.

13 Stocks and work in progress

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Raw materials and consumables	15,391	10,771	12,447	7,575
Work in progress	702	738	702	738
Finished goods and goods for resale	10,546	9,855	9,521	8,497
	<u>26,639</u>	<u>21,364</u>	<u>22,670</u>	<u>16,810</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Finance leases receivables

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Gross amounts receivable under finance leases:				
Within one year	525	485	-	-
Within two to five years	894	1,472	-	-
	<u>1,419</u>	<u>1,957</u>	<u>-</u>	<u>-</u>
Unearned finance income	-	(185)	-	-
	<u>-</u>	<u>(185)</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments receivable	<u>1,419</u>	<u>1,772</u>	<u>-</u>	<u>-</u>
The present value is receivable as follows:				
Within one year	525	485	-	-
In two to five years	894	1,287	-	-
	<u>1,419</u>	<u>1,772</u>	<u>-</u>	<u>-</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Debtors

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	31,084	35,528	18,177	23,745
Amounts owed by Group undertakings	-	-	4,612	8,149
Finance lease receivables	525	485	-	-
Corporation tax recoverable	-	7	-	-
Other debtors	733	1,622	386	1,461
Dividends receivable	-	82,212	-	82,212
Government grants	86	235	-	-
Derivative financial instruments	-	2,698	-	2,698
Prepayments and accrued income	1,217	1,137	882	725
	<u>33,645</u>	<u>123,924</u>	<u>24,057</u>	<u>118,990</u>
Amounts falling due after one year:				
Finance leases receivable	894	1,287	-	-
	<u>894</u>	<u>1,287</u>	<u>-</u>	<u>-</u>
Total debtors	<u>34,539</u>	<u>125,211</u>	<u>24,057</u>	<u>118,990</u>

The derivative financial instruments represent the mark to market valuation of hedged forward contracts to sell CAD\$ which were in place at the prior year end and settled in January 2019. These derivative financial instruments were taken out to hedge potential foreign exchange risk on future dividends receivable.

16 Cash at bank and in hand

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Cash at bank and in hand	<u>279,316</u>	<u>69,180</u>	<u>277,287</u>	<u>68,422</u>

17 Creditors: falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Obligations under finance lease and hire purchase contracts	53	55	53	48
Corporation tax payable	719	1,625	338	1,442
Other taxes and social security costs	2,671	1,818	1,294	773
Trade creditors	16,068	21,923	13,483	19,196
Amounts owed to Group undertakings	-	-	1	1,764
Other creditors	484	512	247	364
Government grants	51	57	-	-
Accruals and deferred income	3,624	3,599	2,136	2,738
	<u>23,670</u>	<u>29,589</u>	<u>17,552</u>	<u>26,325</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Obligations under finance leases and hire purchase agreements	855	908	855	908
Government grants	576	705	576	705
	<u>1,431</u>	<u>1,613</u>	<u>1,431</u>	<u>1,613</u>

Finance lease payments represent rentals payable by the company or Group for certain items of plant and machinery.

19 Financial commitments, guarantees and contingent liabilities

The company has provided an unlimited intercompany guarantee to the Royal Bank of Scotland plc in respect of subsidiaries Unit Pallets Limited and Unit Investments Limited.

The Royal Bank of Scotland plc holds a bond and floating charge over the assets of the company. This has been discharged post year-end.

The Crown Estate Scotland hold standard securities over 3.2 hectares of land at Dinwoodie Farm and 5 hectares of land at Chipknowe, Lockerbie.

20 Finance lease obligations

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Future minimum lease payments under finance leases				
Within one year	53	55	53	48
In two to five years	273	247	273	247
In over five years	582	661	582	661
	<u>908</u>	<u>963</u>	<u>908</u>	<u>956</u>

21 Provisions for liabilities

Deferred tax assets and liabilities are offset where the Group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset for financial reporting purposes):

	Group		Company	
	Liabilities	Liabilities	Liabilities	Liabilities
	2019	2018	2019	2018
	£000	£000	£000	£000
Accelerated capital allowances	996	998	768	775
Short term timing differences	74	60	77	77
Capital gains	(21)	(28)	(22)	(29)
	<u>1,049</u>	<u>1,030</u>	<u>823</u>	<u>823</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Provisions for liabilities (continued)

Movements in the year	Group 2019 £000	Company 2019 £000
Liability at 1 January 2019	1,030	823
Credit to profit and loss	19	-
Balance at 31 December 2019	<u>1,049</u>	<u>823</u>

The amount of the net reversal of deferred tax expected to occur next year is £289,000 (2018: £458,000) due to the reversal of the existing timing differences on tangible fixed assets.

22 Deferred income

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Government grants	<u>627</u>	<u>762</u>	<u>576</u>	<u>705</u>

23 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution scheme		
Charge to profit and loss in respect of defined contributions schemes	<u>1,244</u>	<u>1,148</u>

A defined contribution scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Defined benefit scheme

Key assumptions	2019 %	2018 %
Discount rate	2.1	2.8
RPI price inflation	2.8	3.3
CPI price inflation	<u>2.1</u>	<u>2.5</u>

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2019 Years	2018 Years
Retiring today		
- Males	21.7	21.9
- Females	<u>23.4</u>	<u>23.8</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Retirement benefit schemes (continued)

	2019 Years	2018 Years
Retiring in 20 years		
- Males	23.0	23.3
- Females	24.9	25.4

Amounts recognised in the profit and loss account:

	2019 £000	2018 £000
Admin expenses paid by employer	37	39
Net interest on defined benefit liability / (asset)	(91)	(79)
Losses due to benefit changes	-	40
Total income	(54)	-

Amounts taken to other comprehensive income:

	2019 £000	2018 £000
Actual return on scheme assets	(2,976)	553
Less: calculated interest element	461	423
Return on scheme assets excluding interest income	(2,515)	976
Actuarial changes related to obligations	1,395	(901)
Movements in unrecognised plan surplus	1,211	(36)
Total charge	91	39

The amounts included in the balance sheet arising from obligations in respect of defined benefit plans are as follows:

	Group and company	
	2019 £000	2018 £000
Present value of defined benefit obligations	14,822	13,339
Fair value of plan assets	(19,305)	(16,611)
Surplus in scheme	(4,483)	(3,272)
Unrecognised plan surplus	4,483	3,272
Total asset recognised	-	-

FRS 102 limits the amount of surplus that can be recognised on the balance sheet. Surplus can only be recognised to the extent that the employer can expect to secure economic benefit from it. The surplus has been restricted to nil following the scheme's closure to future accrual with effect from 31 March 2011.

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23. Retirement benefit schemes (continued)

	Group and company	
	2019 £000	2018 £000
Movements in the present value of defined benefit obligations:		
Liabilities at 1 January 2019	13,339	14,739
Benefits paid	(319)	(922)
Administration expenses	37	39
Losses due to benefit changes	-	40
Actuarial gains and losses	1,395	(901)
Interest cost	370	344
At 31 December 2019	<u>14,822</u>	<u>13,339</u>

The defined benefit obligations arise from plans funded as follows:

	Group and company	
	2019 £000	2018 £000
Wholly or partly funded obligations	<u>14,822</u>	<u>13,339</u>

Movements in the fair value of plan assets:

	Group and company	
	2019 £000	2018 £000
Fair value of assets at 1 January 2019	16,611	18,047
Interest income	461	423
Return on plan assets (excluding amounts included in net interest)	2,515	(976)
Benefits and expenses paid	(319)	(922)
Administrative expenses paid by employer	37	39
Fair value of assets at 31 December 2019	<u>19,305</u>	<u>16,611</u>

The fair value of the plan assets at the reporting period end was as follows:

	Group and company	
	2019 £000	2018 £000
Equity instruments	13,019	11,507
Debt instruments	5,375	4,680
Cash	911	424
	<u>19,305</u>	<u>16,611</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Share capital

	2019 £000	2018 £000
Group and company:		
Allotted, called up and fully paid		
2,800 'A' ordinary shares of £1 each	3	3
288,961 (2018: 289,198) 'B' ordinary shares of £1 each	289	289
	<u>292</u>	<u>292</u>

The 'B' ordinary shares carry no voting rights nor any rights to attend meetings of the company, but otherwise the same rights apply to both 'A' and 'B' ordinary shares.

On 12 November 2019 James Jones & Sons Limited repurchased 237 'B' ordinary shares for a consideration of £245,769 (2018: £451,095).

25 Reserves

Other reserves

Other reserves within the Group accounts relates to exchange rate differences on the translation of the Group's investment in its overseas joint ventures, in addition to its share of the other comprehensive movements within these overseas entities.

Revaluation reserve

The revaluation reserve represents accumulated gains and losses derived from the revaluation of assets.

Capital redemption reserve

The capital redemption reserve represents amounts retained on redemption of share capital under company's legislation.

26 Operating lease commitments

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	1,169	927	-	-
Between two and five years	4,118	2,975	-	-
Due in more than five years	1,231	24	-	-
	<u>6,518</u>	<u>3,926</u>	<u>-</u>	<u>-</u>

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 Commitments

At 31 December 2019 the Group had capital commitments as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Contracted for but not provided in the financial statements	<u>2,124</u>	<u>3,695</u>	<u>2,124</u>	<u>3,695</u>

The Group and company has entered into several medium and long term supply agreements with various raw material suppliers. Due to the nature of the contracts, it is not deemed practical to detail these contractual commitments at the year end.

28 Events after the reporting date

The directors have proposed a final dividend of £15 per share for the current year. This will be recommended to the shareholders at the company's Annual General Meeting.

29 Related party relationships and transactions

Controlling party

The directors are of the opinion that there is no ultimate controlling party.

Transactions with related parties

James Jones & Sons Limited owned 49% of Stella Jones International SA. Transactions up to the date of disposal with this company was as follows:

	2019 £000	2018 £000
Fees received	-	17
Dividends received	170,124	144,953

James Jones & Sons Limited owns 50% of United Box Limited. Transactions with United Box Limited were as follows:

	2019 £000	2018 £000
Sales	1,906	1,260
Dividend received	-	-
Amounts owed by United Box Limited at 31 December	314	397

JAMES JONES & SONS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

29 Related party relationships and transactions (continued)

James Jones & Sons Limited owns 44,389 Preference Shares of SWL Limited which equates to a 20% shareholding of the issued share capital of the company. Transactions with SWL Limited and its wholly owned subsidiary, Scottish Woodlands Limited, were as follows:

	2019 £000	2018 £000
Sales	162	210
Purchases	7,270	6,866
Dividends received	47	38
Amounts owed to SWL Limited at 31 December	1,030	1,326
Amounts owed by SWL Limited at 31 December	22	42
Directors remuneration	-	23
30 Cash generated from operations	2019 £000	2018 £000
Profit for the financial year	6,817	205,701
Adjustments for:		
Taxation recognised in profit and loss account	3,735	6,988
Interest expense	95	103
Share of pre-tax profit – joint ventures and associates	2,503	(191,453)
Interest income	(2,238)	(223)
Foreign exchange on sale of investment	(86)	-
Gain on derivative financial instruments	-	(476)
Net defined benefit pension scheme interest	(91)	(79)
Gain on disposal of tangible fixed assets	(178)	(313)
Amortisation and impairment of intangible fixed assets	409	431
Depreciation and impairment of tangible fixed assets	8,692	7,994
Movements in working capital:		
(Increase)/decrease in stocks	(5,275)	(7,783)
Increase in debtors	8,198	(11,386)
Increase in creditors	(5,069)	6,491
Decrease in deferred income	(135)	6
Cash generated from operations	17,377	16,001

Analysis of changes in net debt

	At 1 January 2019 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2019 £000
Cash and cash equivalents				
Cash	69,180	210,136	-	279,316