
JOHN R. ADAM & SONS (HOLDINGS) LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

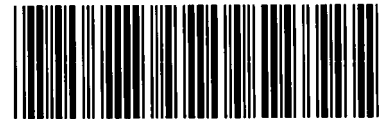
FOR THE YEAR ENDED 31 DECEMBER 2017

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COMPANIES HOUSE

JOHN R. ADAM & SONS (HOLDINGS) LTD

COMPANY INFORMATION

Directors	J R Adam D S McWatt A W T White J S Adam
Company secretary	D S McWatt
Registered number	SC271214
Registered office	Riverside Berth King George V Dock Renfrew Road Glasgow G51 4SD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Level 8 Glasgow G1 3BX
Bankers	HSBC Bank PO Box 33 9 Queen Square Wolverhampton West Midlands WW1 1TE Bank of Scotland 54-62 Sauchiehall Street Glasgow G2 3AH
Solicitors	Anderson Strathern LLP 6th Floor Lomond House 9 George Square Glasgow G2 1DY

JOHN R. ADAM & SONS (HOLDINGS) LTD

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JOHN R. ADAM & SONS (HOLDINGS) LTD

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal activities and business review

The Group is principally engaged in the processing and recycling of scrap metal.

The holding company did not trade during the year.

Overall strategy

The Group's ongoing aim is to continue to achieve maximum metal recovery from processing operations and to reduce material going to landfill.

Business review

In the opinion of the directors the Group continued to trade satisfactorily during the year in difficult markets with margins remaining tight.

The Group profit for the year after taxation amounted to £1,095,512 (2016: £1,577,099). The directors continued to develop the Group's processing capabilities and invested £1,229,577 (2016: £2,965,577) in capital expenditure during the year.

Financial key performance indicators

	2017	2016
	£	£
Turnover	62,672,501	49,818,594
Operating profit	1,419,029	1,943,463
Cash in hand	6,502,548	11,104,100
Total net assets	19,455,279	18,866,455

Principal risks and uncertainties

The major risks facing the Group are changes to commodity prices which are monitored closely by management.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks as described in more detail below. In order to manage the Group's exposure to these risks the Group enters into a number of derivative transactions and forward currency contracts.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities.

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

Price risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the cost of managing exposure to commodity price risk exceed the potential benefits.

JOHN R. ADAM & SONS (HOLDINGS) LTD

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Credit risk

The principal credit risk that arises is from trade debtors. The Group implements a policy that requires credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the directors.

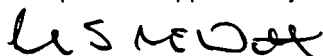
Liquidity risk

The Group seek to manage financial risk by ensuring a sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely.

Exchange Rate risk

The Group is exposed to an element of exchange rate risk as a result of their operations and transactions outside the United Kingdom.

This report was approved by the board on 8 August 2018 and signed on its behalf.


D S McWatt
Director

JOHN R. ADAM & SONS (HOLDINGS) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

Results and dividends

The profit for the year, after taxation, amounted to £1,095,512 (2016: £1,577,099).

Directors

The directors who served during the year were:

J R Adam
D S McWatt
A W T White
J S Adam

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Future developments

The Group proposes to continue to invest in processing equipment to improve the quality of product available for sale and reduce the amount of waste sent to landfill. It is hoped that this will allow it to continue to be competitive in the extremely challenging market conditions brought about by the uncertainty in the European trading conditions.

JOHN R. ADAM & SONS (HOLDINGS) LTD

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 8 August 2018 and signed on its behalf.



D S McWatt
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN R. ADAM & SONS (HOLDINGS) LTD

Opinion

We have audited the financial statements of John R. Adam & Sons (Holdings) Ltd (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance sheets, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes, 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 Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's 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 United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN R. ADAM & SONS (HOLDINGS) LTD
(CONTINUED)**

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group 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 Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

Matters on which we are required to report by exception

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 by the parent Company, 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN R. ADAM & SONS (HOLDINGS) LTD
(CONTINUED)**

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



James Chadwick
Senior statutory auditor
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Glasgow

Date: 10 August 2018.

JOHN R. ADAM & SONS (HOLDINGS) LTD

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	62,672,501	49,818,594
Cost of sales		(49,931,618)	(34,246,829)
Gross profit		12,740,883	15,571,765
Administrative expenses		(13,005,611)	(11,404,282)
Other operating income	5	142,171	67,000
Fair value movements		1,541,586	(2,291,020)
Operating profit	6	1,419,029	1,943,463
Income from fixed assets investments		7,500	-
Interest receivable and similar income		26,845	42,733
Interest payable and expenses		(391)	(1,116)
Profit before taxation		1,452,983	1,985,080
Tax on profit	11	(357,471)	(407,981)
Profit for the financial year		1,095,512	1,577,099
Profit for the year attributable to:			
Owners of the parent Company		1,095,512	1,577,099

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £Nil).

The notes on pages 14 to 28 form part of these financial statements.

JOHN R. ADAM & SONS (HOLDINGS) LTD
REGISTERED NUMBER: SC271214

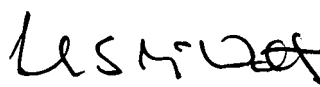
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	6,751,027	7,108,528
		<u>6,751,027</u>	<u>7,108,528</u>
Current assets			
Stocks	14	4,186,678	3,527,009
Debtors: amounts falling due within one year	15	8,678,005	4,127,445
Cash at bank and in hand	16	6,502,548	11,104,100
		<u>19,367,231</u>	<u>18,758,554</u>
Creditors: amounts falling due within one year	17	(6,421,115)	(6,128,157)
Net current assets		<u>12,946,116</u>	<u>12,630,397</u>
Total assets less current liabilities		<u>19,697,143</u>	<u>19,738,925</u>
Creditors: amounts falling due after more than one year	18	-	(633,242)
Provisions for liabilities			
Deferred taxation	19	(241,864)	(239,228)
		<u>(241,864)</u>	<u>(239,228)</u>
Net assets		<u><u>19,455,279</u></u>	<u><u>18,866,455</u></u>
Capital and reserves			
Called up share capital		460,625	460,625
Capital redemption reserve	22	209,375	209,375
Other reserves	22	894,783	894,783
Profit and loss account	22	17,890,496	17,301,672
Equity attributable to owners of the parent Company		<u><u>19,455,279</u></u>	<u><u>18,866,455</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

8 August 2018


J R Adam
Director



D S McWatt
Director

The notes on pages 14 to 28 form part of these financial statements.

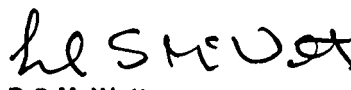
JOHN R. ADAM & SONS (HOLDINGS) LTD
REGISTERED NUMBER: SC271214

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	13	1,692,846	1,692,846
		<u>1,692,846</u>	<u>1,692,846</u>
Creditors: amounts falling due within one year	17	(819,578)	(812,890)
Net current liabilities		<u>(819,578)</u>	<u>(812,890)</u>
Total assets less current liabilities		<u>873,268</u>	<u>879,956</u>
Net assets		<u>873,268</u>	<u>879,956</u>
Net assets		<u><u>873,268</u></u>	<u><u>879,956</u></u>
Capital and reserves			
Called up share capital	21	460,625	460,625
Capital redemption reserve	22	209,375	209,375
Profit and loss account brought forward		209,956	216,646
Profit for the year		500,000	500,000
Other changes in the profit and loss account		(506,688)	(506,690)
Profit and loss account carried forward		<u>203,268</u>	<u>209,956</u>
		<u><u>873,268</u></u>	<u><u>879,956</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


J R Adam
 Director


D S McWatt
 Director

8 August 2018.

The notes on pages 14 to 28 form part of these financial statements.

JOHN R. ADAM & SONS (HOLDINGS) LTD

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	460,625	209,375	894,783	17,301,672	18,866,455
Comprehensive income for the year					
Profit for the year	-	-	-	1,095,512	1,095,512
Total comprehensive income for the year	-	-	-	1,095,512	1,095,512
Dividends: Equity capital	-	-	-	(506,688)	(506,688)
Total transactions with owners	-	-	-	(506,688)	(506,688)
At 31 December 2017	460,625	209,375	894,783	17,890,496	19,455,279

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	460,625	209,375	894,783	16,231,263	17,796,046
Comprehensive income for the year					
Profit for the year	-	-	-	1,577,099	1,577,099
Total comprehensive income for the year	-	-	-	1,577,099	1,577,099
Dividends: Equity capital	-	-	-	(506,690)	(506,690)
Total transactions with owners	-	-	-	(506,690)	(506,690)
At 31 December 2016	460,625	209,375	894,783	17,301,672	18,866,455

The notes on pages 14 to 28 form part of these financial statements.

JOHN R. ADAM & SONS (HOLDINGS) LTD

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	460,625	209,375	209,956	879,956
Comprehensive income for the year				
Profit for the year	-	-	500,000	500,000
Total comprehensive income for the year	-	-	500,000	500,000
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(506,688)	(506,688)
Total transactions with owners	-	-	(506,688)	(506,688)
At 31 December 2017	460,625	209,375	203,268	873,268

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	460,625	209,375	216,646	886,646
Comprehensive income for the year				
Profit for the year	-	-	500,000	500,000
Total comprehensive income for the year	-	-	500,000	500,000
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(506,690)	(506,690)
Total transactions with owners	-	-	(506,690)	(506,690)
At 31 December 2016	460,625	209,375	209,956	879,956

The notes on pages 14 to 28 form part of these financial statements.

JOHN R. ADAM & SONS (HOLDINGS) LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,095,512	1,577,099
Adjustments for:		
Depreciation of tangible assets	1,257,201	972,762
Loss on disposal of tangible assets	(48,720)	(45,699)
Interest paid	391	1,116
Interest received	(26,693)	(42,733)
Taxation charge	357,471	407,981
(Increase) in stocks	(659,669)	(1,459,884)
(Increase) in debtors	(4,497,341)	(2,248,458)
Increase in creditors	1,305,396	1,468,472
Net fair value (gains)/losses recognised in P&L	(1,541,586)	2,291,020
Corporation tax paid	(512,148)	(164,891)
Dividend income received	(7,500)	-
Net cash generated from operating activities	(3,277,686)	2,756,785
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,229,577)	(2,965,577)
Sale of tangible fixed assets	378,597	63,333
Interest received	26,693	23,961
Dividend income received	7,500	-
Net cash from investing activities	(816,787)	(2,878,283)
Cash flows from financing activities		
Dividends paid	(506,688)	(506,690)
Interest paid	(391)	(1,116)
Net cash used in financing activities	(507,079)	(507,806)
Net decrease in cash and cash equivalents	(4,601,552)	(629,304)
Cash and cash equivalents at beginning of year	11,104,100	11,733,404
Cash and cash equivalents at the end of year	6,502,548	11,104,100
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	6,502,548	11,104,100

JOHN R. ADAM & SONS (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

John R. Adam & Sons (Holdings) Limited is a private limited incorporated by shares and registered in Scotland. The registered office address is Riverside Berth, King George V Dock, Renfrew Road, Glasgow, G51 4SD.

The general activity of the group is a scrap metal merchant.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Group is profit generating and has no external bank debt or loan commitments. The Group has prepared trading projections which shows it is expected to continue to trade on a profitable and cash generative basis for the foreseeable future; at least 12 months from the date of the approval of the financial statements. Having made due enquiry and reviewed future cash flow projections, the directors are satisfied that they can continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Revenue

Revenue is measured at the fair value of consideration receivable for goods supplied and services produced, excluding Value Added Tax and trade discounts and is recognised on despatch of goods over the weighbridge for domestic sales and on discharge of vessels at ports for exports. Adjustments relating to price and weight differences are accrued against turnover.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using a combination of the straight-line method and reducing balance.

Depreciation is provided on the following basis:

Freehold property	- 15 years straight line
Leasehold property	- over the remaining period of the lease
Plant and machinery	- 30% reducing balance and 10%/20% straight line
Motor vehicles	- 25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.8 Stocks

Stock is stated at the lower of cost and net realisable value on quantities estimated by the directors and on a basis consistent with the previous year. Cost is defined as the direct cost of materials delivered to the company's premises. No overheads have been added to stock valuation in respect of handling or processing cost, as such costs are not considered to be material in relation to the overall value of the stock.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured at fair value.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 90 days. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

High interest accounts are on a 12 month notice period and a penalty of lost interest would apply if withdrawn early.

2.11 Financial instruments

The Group only enters into the following basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within administrative expenses.

2.14 Finance costs

Finance costs are charged to the Statement of comprehensive income for the year as incurred in the financial year.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Pensions - defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Significant judgements and estimates of management are involved in the valuation and quantity of year end stock. Due to the nature of scrap metal, the valuation of such items at period end is based on management's judgement and past experience. Furthermore, management also applies significant judgement in relation to bad debt provisioning.

JOHN R. ADAM & SONS (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Sale of scrap metal	<u>62,672,501</u>	<u>49,818,594</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	16,016,411	12,398,986
EU Sales	35,174,105	25,244,962
Rest of World	11,481,985	12,174,646
	<u>62,672,501</u>	<u>49,818,594</u>

5. Other operating income

	2017 £	2016 £
Other operating income	107,842	-
Net rents receivable	34,329	67,000
	<u>142,171</u>	<u>67,000</u>

6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	1,257,201	972,762
Exchange differences	1,750,092	902,896
Defined contribution pension cost	<u>87,512</u>	<u>95,614</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	28,000	27,500
Fees payable to the Group's auditor and its associates in respect of:		
Financial statement preparation	1,500	1,500
Other services relating to taxation	74,455	29,965
	<u>74,455</u>	<u>29,965</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	2,639,964	2,452,156	-	-
Social security costs	407,603	360,869	-	-
Cost of defined contribution scheme	87,512	95,614	-	-
	<u>3,135,079</u>	<u>2,908,639</u>	<u>-</u>	<u>-</u>

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

	2017 No.	2016 No.
Directors	4	4
Production staff	60	60
Administration staff	11	11
	<u>75</u>	<u>75</u>

The Company has no employees other than the directors, who did not receive any remuneration (2016: £Nil).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	606,868	363,144
Company contributions to defined contribution pension schemes	17,374	8,162
	<u>624,242</u>	<u>371,306</u>

The highest paid director received remuneration of £213,372 (2016: £136,637).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,374 (2016: £1,375).

10. Income from investments

	2017 £	2016 £
Dividends received	(7,500)	-
	<u>(7,500)</u>	<u>-</u>

JOHN R. ADAM & SONS (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	355,070	361,156
Adjustments in respect of previous periods	(234)	(9,030)
Total current tax	354,836	352,126
Deferred tax		
Origination and reversal of timing differences	2,669	65,541
Short timing differences	(34)	(9,686)
Total deferred tax	2,635	55,855
Taxation on profit on ordinary activities	357,471	407,981

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	1,452,983	1,985,080
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	279,643	397,016
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	17,616	10,735
Capital allowances for year in excess of depreciation	70,633	31,607
Deferred tax not recognised	(565)	(564)
Adjustments to tax charge in respect of prior periods	(268)	(9,030)
Effect of deferred tax rate change	(367)	(21,783)
Income not taxable	(9,221)	-
Total tax charge for the year	357,471	407,981

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Taxation (continued)

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 includes legislation which will reduce the rate to 17% from 1 April 2020. The Finance (No. 2) Act 2015 was substantially enacted on 15 September 2016. Deferred tax balances have been recognised at 17%.

12. Tangible fixed assets

Group

	Freehold property £	Leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2017	1,227,028	241,047	14,350,851	2,072,510	17,891,436
Additions	60,185	-	905,204	264,188	1,229,577
Disposals	-	-	(553,239)	(422,180)	(975,419)
Transfers between classes	-	7,300	(7,300)	-	-
At 31 December 2017	1,287,213	248,347	14,695,516	1,914,518	18,145,594
Depreciation					
At 1 January 2017	364,447	99,126	9,051,370	1,267,965	10,782,908
Charge for the year on owned assets	65,508	12,712	963,901	215,080	1,257,201
Disposals	-	-	(345,187)	(300,355)	(645,542)
Transfers between classes	-	298	(298)	-	-
At 31 December 2017	429,955	112,136	9,669,786	1,182,690	11,394,567
Net book value					
At 31 December 2017	857,258	136,211	5,025,730	731,828	6,751,027
At 31 December 2016	862,581	141,921	5,299,481	804,545	7,108,528

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Freehold	857,258	862,581
Leasehold	136,211	141,921
	<u>993,469</u>	<u>1,004,502</u>

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
John R. Adams & Sons Limited	Ordinary	100 %	Processors of scrap metal
Thistle Metals Limited	Ordinary	100 %	Processors of scrap metal
Smillie Metallics (Midlands) Limited	Ordinary	100 %	Furnace drossing
J P Robertson & Co Limited	Ordinary	100 %	Non- trading (dormant)
Shieldhall Properties Limited	Ordinary	100 %	Non- trading (dormant)

All of the subsidiaries above were incorporated in Scotland.

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	1,692,846
At 31 December 2017	<u>1,692,846</u>
Net book value	
At 31 December 2017	<u>1,692,846</u>
At 31 December 2016	<u>1,692,846</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Raw materials and consumables	4,138,675	3,506,323	-	-
Finished goods and goods for resale	48,003	20,686	-	-
	<u>4,186,678</u>	<u>3,527,009</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £49,931,618 (2016: £34,246,829).

15. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	6,998,510	2,630,698	-	-
Other debtors	540,799	1,378,588	-	-
Prepayments and accrued income	1,138,696	118,159	-	-
	<u>8,678,005</u>	<u>4,127,445</u>	<u>-</u>	<u>-</u>

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	6,502,548	11,104,100	-	-

JOHN R. ADAM & SONS (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,737,542	585,655	-	-
Amounts owed to group undertakings	-	-	819,578	812,890
Corporation tax	-	104,094	-	-
Other taxation and social security	6,712	113,094	-	-
Other creditors	1,161	-	-	-
Accruals and deferred income	3,628,120	3,369,390	-	-
Financial instruments	1,047,580	1,955,924	-	-
	<u>6,421,115</u>	<u>6,128,157</u>	<u>819,578</u>	<u>812,890</u>

18. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial instruments (after 1 yr)	-	633,242	-	-

19. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(239,228)	(183,373)
Charged to profit or loss	(2,635)	(55,855)
Utilised in year	(1)	-
At end of year	<u>(241,864)</u>	<u>(239,228)</u>

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £
Excess of taxation allowances over depreciation on fixed assets	<u>(241,864)</u>	<u>(239,228)</u>

JOHN R. ADAM & SONS (HOLDINGS) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>14,041,857</u>	<u>15,113,386</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(1,047,580)	(2,589,166)	-	-
Financial liabilities measured at amortised cost	<u>(5,366,822)</u>	<u>(3,955,045)</u>	<u>(819,578)</u>	<u>(812,890)</u>
	<u><u>(6,414,402)</u></u>	<u><u>(6,544,211)</u></u>	<u><u>(819,578)</u></u>	<u><u>(812,890)</u></u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings and other debtors.

Derivative financial liabilities measured at fair value through profit or loss comprise foreign currency contracts.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and deferred income.

21. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
460,625 Ordinary shares of £1 each	<u>460,625</u>	<u>460,625</u>

22. Reserves

Capital redemption reserve

Represents the purchase of own shares.

Other reserves

This relates to the acquisition of John R. Adam & Sons (Holdings) Ltd group on 1 September 2004 which as outlined in the accounting policies was accounted for under the merger accounting principles.

Profit and loss account

Includes all current and prior period retained profits and losses.

JOHN R. ADAM & SONS (HOLDINGS) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

23. Contingent liabilities

The Company is currently involved in challenging an enquiry by HMRC regarding the tax treatment of payments made under the Group's Growth Securities Ownership Plan. Management recognise £1,750,000 as a contingent liability, this is a provision for tax repayable to HMRC. This evaluation is consistent with legal advice.

24. Capital commitments

At 31 December 2017 the Group and Company had capital commitments as follows:

	Group 2017 £
Contracted for but not provided in these financial statements	(313,500)
	<u>(313,500)</u>

25. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £
Not later than 1 year	387,500	269,500
Later than 1 year and not later than 5 years	1,550,000	1,078,000
Later than 5 years	1,937,500	1,617,000
	<u>3,875,000</u>	<u>2,964,500</u>

26. Related party transactions

The company has taken advantage of the exemption available under FRS102 33.1a "Related Party Transactions" not to disclose transactions within group undertakings and fellow group undertakings of the ultimate holding company where 100% of the voting rights are controlled by the ultimate holding companies.