Gunn JCB (Holdings) Limited

Directors' report and financial statements

for the year ended 31 December 2008

Registered number 3971940

Gunn JCB (Holdings) Limited

Directors' report and financial statements for the year ended 31 December 2008

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Gunn JCB (Holdings) Limited

Directors and advisers for the year ended 31 December 2008

Directors

G W F Smith
J H Bailey
J A Dolphin
S P Nixon

Company secretary

J H Bailey

Independent auditors

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Registered number 3971940

Gunn JCB (Holdings) Limited

Directors' report for the year ended 31 December 2008

The directors present their annual report and the consolidated audited financial statements of the group for the year ended 31 December 2008.

Business review and principal activity

Gunn JCB (Holdings) Limited operates as a holding company and through the group as a distribution and after sales support organisation for JCB construction, extraction, mechanical handling, agricultural, groundcare and industrial equipment. The group has a network of 10 strategically located depots (as well as home based staff) throughout the North West, Midlands, North and Mid Wales and the Isle of Man to enable it to provide a quick response to its customers.

The results for the year are set out in the financial statements on page 7. The directors consider the performance of the trading companies to have been disappointing during the year.

The group made an encouraging start to the year and further investments in the business following on from last year's strong growth, with indications that 2008 would show further improvement. However the onset of the global economic crisis resulted in a sudden and rapid fall in demand for the group's products principally from the construction market.

As a result of this changed economic environment the group has reviewed all its operations and from 1 December 2008 has incorporated the business activities of the its subsidiary Gunn JCB Compact Equipment Limited back into the main trading subsidiary Gunn JCB Limited; in addition further actions have been taken to reduce costs within the group significantly which unfortunately has lead to job losses. The costs of reorganisation have been included in the financial statements of the year under review with the benefits coming through in 2009.

New bank facilities were agreed with Barclays Bank plc on 14 July 2009 comprising a bank overdraft and term loan with a repayment date 12 months from the drawdown. The bank overdraft is secured by a bond and a floating charge over all the group's assets in favour of Barclays Bank PLC. Interest on the new facility will be charged on the bank overdraft at a rate of 2.5% above the bank's base rate. Interest will be charged on the term loan at a rate of 2.25% above LIBOR.

The group considers that it has adequate financial resources to cope with the current continuing economic conditions.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Future outlook

The external commercial environment for the company is expected to remain challenging in 2009 due to the uncertain economic climate. However the directors are optimistic of the company's future performance and long term profitability.

Results and dividends

The consolidated profit and loss account for the group is set out on page 7. The results for the group show a pre-tax loss of £356,000 (2007: profit £1,429,000) for the financial year and sales of £78,371,000 (2007: £85,723,000).

An interim dividend of £2.50 per share (2007:£1.50) was paid for each class of share during the year amounting to £381,250 (2007: £228,750). The directors do not propose any final dividend (2007: £nil).

Donations

During the year the group donated £500 (2007: £880) to charity. Details of donations during the year over £200 are detailed below:

The Lighthouse Club Benevolent Fund: Registered charity no: 205670 £400

> To relieve poverty suffered as a result of an accident or disability, or ill health by persons employed, or formerly employed, within the building and civil engineering industries and allied trades, in the United Kingdom including the widows and children of such people.

No political donations were made in the year or in the previous year.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

G W F Smith
J H Bailey
S P Nixon
J A Dolphin

The company maintains liability insurance for its directors and officers.

The interests of the directors in the share capital of the company at the beginning and end of the financial year to 31 December 2008 were:

	Ordinary shares of £1 each	
G W F Smith	100,000	'A' ordinary
J H Bailey	23,000	'B' ordinary
J A Dolphin	14,750	'B' ordinary
S P Nixon	14,750	'B' ordinary

Principal risks and uncertainties

The management of the business and the execution of the company's (and group's) strategy are subject to a number of risks.

Directors' report for the year ended 31 December 2008 (continued)

Business risk

The key business risks affecting the company (and group) are considered to relate to competition from other suppliers of similar products and services, product availability, product innovation, employee retention, levels of demand (particularly within the house building and agricultural sectors) and market residual values for used equipment.

Financial risk management

The company's operations expose it to a variety of financial risks that includes the effects of changes in credit risk, liquidity risk and interest rate risk. The directors are aware that the company is susceptible to such changes and has in place a risk management programme that seeks to limit and mitigate the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

The company seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Commodity price risk

The company is exposed to increases in raw materials costs, particularly steel and oil, which are reflected in the purchase price of plant and spare parts from manufacturers. The company is not in a position to manage this risk and relies on the manufacturers to maintain prices at a competitive level.

In addition oil and energy costs have an effect on the company's transport and depot facility costs. The company reviews on regular basis prices paid in respect of these costs and searches the market for the most cost effective suppliers.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has interest bearing liabilities. . New bank facilities were agreed with Barclays Bank plc on 14 July 2009 comprising a bank overdraft and term loan. Interest is charged on the bank overdraft at a rate of 2.5% above the bank's base rate. Interest is charged on the term loan at a rate of 2.25% above LIBOR. The company has a policy of maintaining debt at variable rates and the directors have in place a system to monitor levels of debt and the related interest cost. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Directors' report for the year ended 31 December 2008 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the independent auditors

So far as each director is aware there is no relevant audit information (that is information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware.

Each director has taken all steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

On behalf of the Board

Company Secretary

11 August 2009

Independent auditors' report to the members of Gunn JCB (Holdings) Limited

We have audited the group and parent company financial statements (the financial statements'') of Gunn JCB (Holdings) Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement, the note of group historical cost profits, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Gunn JCB (Holdings) Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
11 August 2009

Gunn JCB (Holdings) Limited

Consolidated profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	1	**78,371**	85,723
Cost of sales		**(70,958)**	(77,237)
Gross profit		**7,413**	8,486
Administrative expenses		**(6,758)**	(6,182)
Operating profit	2	**655**	2,304
Interest payable	3	**(1,011)**	(875)
(Loss)/profit on ordinary activities before taxation		**(356)**	1,429
Tax on (loss)/profit on ordinary activities	6	**90**	(477)
(Loss)/profit for the financial year	18	**(266)**	952

All operations in the year are continuing.

The group has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

The accounting policies and notes on pages 11 to 25 form an integral part of these financial statements.

Gunn JCB (Holdings) Limited

Note of group historical cost profits for the year ended 31 December 2008

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	**(356)**	1,429
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**(1)**	(7)
Historical cost profit for the year before taxation	**(357)**	1,422
Historical cost profit for the year retained after taxation	**(267)**	945

Gunn JCB (Holdings) Limited

Balance sheets as at 31 December 2008

	Note	Group		Company	
		2008	2007	**2008**	2007
		£'000	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	8	**6,528**	6,160	**4,592**	4,148
Investments in subsidiary undertakings	9	**-**	-	**11**	11
		6,528	6,160	**4,603**	4,159
Current assets					
Stocks	10	**10,268**	15,189	**-**	-
Debtors	11	**4,553**	8,176	**1,158**	399
Cash at bank and in hand		**2**	2	**-**	-
		14,823	23,367	**1,158**	399
Creditors: amounts falling due within one year	12	**(15,276)**	(23,291)	**(1,865)**	(633)
Net current (liabilities)/assets		**(453)**	76	**(707)**	(234)
Total assets less current assets/ (liabilities)		**6,075**	6,236	**3,896**	3,925
Creditors: amounts falling due after one year	14	**(1,495)**	(1,848)	**(1,120)**	(1,260)
Provisions for liabilities and charges	15	**(652)**	(305)	**-**	-
Net assets		**3,928**	4,083	**2,776**	2,665
Capital and reserves					
Called up share capital	17	**152**	152	**152**	152
Capital redemption reserve	18	**77**	77	**77**	77
Revaluation reserve	18	**1,542**	1,050	**1,542**	1,050
Profit and loss account	18	**2,157**	2,804	**1,005**	1,386
Total equity shareholders' funds	19	**3,928**	4,083	**2,776**	2,665

The financial statements on pages 7 to 25 were approved by the board of directors on 11 August 2009 and signed on its behalf by:

G W F Smith
Director

Gunn JCB (Holdings) Limited

Consolidated cash flow statement for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash inflow/(outflow) from operating activities	24	9,067	(5,439)
Returns on investments and servicing of finance			
Interest element of finance lease payments		**(90)**	(73)
Interest paid		**(911)**	(765)
Net cash (outflow) from returns on investments and servicing of finance		**(1,001)**	(838)
Taxation		**(595)**	(299)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(587)**	(64)
Sale of tangible fixed assets		**355**	160
Net cash (outflow)/inflow for capital expenditure and financial investment		**(232)**	96
Equity dividends paid to shareholders		**(381)**	(229)
Net cash inflow/(outflow) before financing		**6,858**	(6,709)
Financing			
Changes in borrowings:			
Capital element of finance lease payments		**(883)**	(723)
Repayment of treasury loans		**(140)**	(422)
Net cash outflow from financing		**(1,023)**	(1,145)
Increase/(decrease) in net cash	25	**5,835**	(7,854)

Gunn JCB (Holdings) Limited

Statement of accounting policies

Basis of preparation
The financial statements are prepared on the going concern basis, under the historical cost convention (subject to revaluation of land and buildings), in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout are set out below.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost with the exception of freehold land and buildings which were revalued in 2008. The impact of this has been included in Note 8. Cost includes the original purchase price of the asset, less any purchase rebates and the costs attributable to bringing the asset to its working condition for its intended use.
With the exception of freehold land, which is not depreciated, depreciation is provided at rates which are calculated to write down the cost or valuation of fixed assets by annual instalments as follows:

Freehold buildings	2% on buildings on a straight line basis
Vehicles	25% to $33^1/_3$ % on reducing balance
Plant, fixtures and fittings	20% to $33^1/_3$ % on a straight line basis

Investments in subsidiaries
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value. Cost is the expenditure incurred in the normal course of business in bringing the item to its present location and condition. Where necessary, provision is made for slow moving, obsolete and defective stock. Net realisable value is the actual or estimated selling price less all further costs to completion, selling and distribution expenses.

Work in progress is valued at the cost of direct materials and labour in bringing the product to its present condition.

Turnover
Turnover represents the value of goods and services, net of value added tax and trade discounts invoiced to external customers during the year less returns. Turnover is recognised at the point of supply.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Statement of accounting policies (continued)

Hire purchase and operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Pension costs
Pension costs as incurred by the group under the defined contribution scheme are charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the group in an independently administered fund.

Provisions
Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Warranty provisions, with various expiry dates, based on historical after sales costs, are included within the accounts. Maintenance provisions, based on historical costs in respect of obligations of the company to maintain customers' plant and machinery to agreed standards to various expiry dates which fall due after the year end, are included within the accounts.

Notes to the financial statements for the year ended 31 December 2008

1 Turnover

Turnover represents the amount derived from the provision of goods and services under the group's principal activity, which is carried out in the UK, and is stated net of value added tax.

The geographical analysis of turnover by destination is as follows:

	Group	
	2008	2007
	£'000	£'000
United Kingdom	**72,744**	81,147
Overseas	**5,627**	4,576
	78,371	85,723

2 Operating profit

	Group	
	2008	2007
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets:		
On owned assets	**384**	333
On leased assets	**493**	371
Auditors' remuneration for:		
Audit services *	**31**	30
Taxation services *	**12**	11
Pension advisory services	**14**	10
Staff costs (note 4)	**6,843**	6,189
Profit on sale of tangible fixed assets	**(18)**	(39)
Operating lease - plant and machinery	**9**	-
Operating leases - other than plant and machinery	**79**	79

* £1,500 of this amount (2007: £1,500) relates to the company, for both audit and taxation services.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3 Interest payable

	Group 2008 £'000	2007 £'000
Interest payable on bank overdrafts	**225**	203
Interest payable on stocking loan	**591**	468
Interest payable on treasury loan	**105**	131
Interest payable on hire purchase leases	**90**	73
	1,011	875

The stocking loan is a loan facility for stocking new and used machines. Bank balances are aggregated on a group basis for the purpose of calculating net interest payable. The treasury loan is a facility that was used to fund the purchase of premises and the repayment of the loan stock in 2003 from JCB Service.

4 Staff costs and numbers

	Group 2008 £'000	2007 £'000
Wages and salaries	**6,015**	5,383
Social security costs	**610**	565
Pension costs	**218**	241
	6,843	6,189

Pension costs relate to the agreed contributions that have been made by the group to the Gunn JCB defined contribution scheme for all employees including directors. The pension cost charge represents the total contributions payable to the funds. No pension costs have been accrued (2007: £nil) or prepaid (2007: £nil) at the year end.

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

	Group 2008 Number	2007 Number
Office and management	**82**	84
Sales and technical	**110**	108
	192	192

Other than the four directors (2007: four), the company has no employees (2007: nil). The directors received no remuneration for their services to the company (2007: £nil).

5 Remuneration of directors

	Group 2008 £'000	2007 £'000
Aggregate emoluments of the directors	**458**	526
Contributions to money purchase pension scheme	**92**	125
	550	651

The emoluments of the highest paid director were £146,095 (2007: £175,869). The amount of the group's contribution paid to the defined contribution pension scheme in respect of the highest paid director was £32,502 (2007: £43,511).

Three other directors (2007: three) participate in a defined contribution pension scheme. The group's contributions in respect of those directors amounted to £59,978 (2007: £81,369).

6 Tax on profit on ordinary activities

a) Analysis of tax charge in year

	Group 2008 £'000	2007 £'000
Current tax		
UK corporation tax on profits of the year	**(21)**	455
Adjustment in respect of prior years	**26**	2
Total current tax	**5**	457
Deferred tax		
Origination and reversal of timing differences – current year	**(83)**	28
Origination and reversal of timing differences – prior year	**(12)**	(8)
Total deferred tax	**(95)**	20
Total tax on profit on ordinary activities	**(90)**	477

6 Tax on profit on ordinary activities

b) Factors affecting the tax charge for the year

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the UK of 28% (2007: 30%) as shown in the table below:

	Group	
	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	**(356)**	1,429
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	**(102)**	429
Adjustments in respect of prior years	**26**	2
Expenses not deductible for tax purposes	**32**	59
Accelerated capital allowances and other timing differences	**83**	(28)
Movement in respect or revaluations of assets becoming non-qualifying	**(22)**	-
Effect of change in tax rate on loss carry back claim	**(4)**	-
Corporation tax rate adjustment	**(8)**	(5)
Current tax charge for the year	**5**	457

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. A more detailed calculation has been performed on the potential deferred tax on the revaluation for the year ended 31 December 2008, resulting in a total amount unprovided of £168,000 (2007: £294,000).

7 Dividends

	2008	2007
	£'000	£'000
Interim dividends paid: £2.50 per share (2007: £1.50 per share)	**381**	229

8 Tangible assets - Group

	Freehold land and buildings* £'000	Vehicles £'000	Plant, fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2008	4,235	2,289	2,134	8,658
Surplus on revaluation	405	-	-	405
Additions	-	292	797	1,089
Disposals	-	(207)	(434)	(641)
At 31 December 2008	**4,640**	**2,374**	**2,497**	**9,511**
Accumulated depreciation				
At 1 January 2008	87	1,004	1,407	2,498
Charge for the year	48	468	361	877
Revaluation	(87)	-	-	(87)
Disposals	-	(150)	(155)	(305)
At 31 December 2008	**48**	**1,322**	**1,613**	**2,983**
Net book amount				
At 31 December 2008	**4,592**	**1,052**	**884**	**6,528**
At 31 December 2007	4,148	1,285	727	6,160

Company

*The land and buildings relate to the company.

Included above, are fixed assets with a net book value of £1,192,231 (2007: £1,364,349) which are held under hire purchase leases. The depreciation charge for the year includes £492,555 (2007: £371,030) in respect of these assets.

The company's freehold land and buildings were revalued at 20 March 2008 on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors by Drivers Jonas, a firm of independent Chartered Surveyors.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 31 December 2008 resulted in a further revaluation surplus of £492,000 (note 18). The Directors' are of the opinion that the revaluation of the Land and Buildings represents the fair value of these assets to the business as at 31 December 2008.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over. If the revalued assets were stated on the historical cost basis, the amounts would be:

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Tangible assets – Group (continued)

Freehold land and buildings*

	2008 £'000	2007 £'000
At cost	**3,528**	3,528
Aggregate depreciation	**(320)**	(280)
Net book value based on historical cost	**3,208**	3,248

* the land and buildings relate to the company.

9 Investments

	£'000
Cost at 31 December 2007 and 31 December 2008	**11**

The company owns the entire issued share capital and 100% voting rights of the under noted companies:

Gunn JCB Limited	Registered in England	No: 527818
Gunn JCB Compact Equipment Limited *	Registered in England	No: 200773

* 100% interest held by subsidiary company.

Gunn JCB Limited is engaged in the distribution of equipment to construction, agricultural, groundcare and industrial markets whereas Gunn JCB Compact Equipment Limited specialises in the distribution of compact equipment mainly to the construction market. After sales support for machines sold by both companies is provided to all customers by Gunn JCB Limited.

No profit and loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985. The profit dealt with in the financial statements of the parent company was £47 (2007: profit £356,000).

The financial statements of all subsidiaries are included in the group consolidation.

10 Stocks

	Group 2008 £'000	2007 £'000
Consumables and goods for resale	**10,156**	14,964
Work in progress	**112**	225
	10,268	15,189

Company

The company had no stocks at 31 December 2008 and 31 December 2007.

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Debtors

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	3,185	6,007	-	-
Amounts owed by group undertakings	-	-	1,158	399
Deferred tax (liability) (note 13)	75	-	-	-
Other debtors	969	1,938	-	-
Corporation tax	134	-	-	-
Prepayments and accrued income	190	231	-	-
	4,553	8,176	1,158	399

Amounts owed by the group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors: amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank overdraft	2,706	4,110	1,719	424
Treasury loan	140	140	140	140
Trade creditors	3,105	4,696	-	-
Other creditors	93	105	-	-
JCB Finance – stocking facility	8,216	12,647	-	-
Hire purchase	481	649	-	-
Other taxation and social security	303	297	-	-
Corporation tax	-	455	6	44
Deferred tax liability (note 13)	-	20	-	19
Accruals and deferred income	232	172	-	6
	15,276	23,291	1,865	633

The bank overdraft is secured by a bond and floating charge over all of the group's assets in favour of Barclays Bank PLC. Interest is charged on the bank overdraft at a rate of 1.5% above the bank's base rate. Interest is charged on the treasury loan at a rate of 1.75% above LIBOR.

The JCB Finance stocking facility is secured upon individual items included in stock and by a bond and floating charge over all of the group's assets in favour of JCB Finance Limited as security for loans advanced to the group. This charge ranks behind the charge to Barclays Bank PLC. Interest is charged on the stocking loan at a rate of 1% above Finance House's base rate.

13 Deferred tax liability

The deferred tax (asset)/liability can be analysed as follows:

	Group 2008 £'000	Company 2008 £'000
Capital allowances excess over depreciation	(75)	-
At start of year	20	19
Deferred tax charge in the profit and loss account for the year (note 6)	(95)	(19)
At end of year (asset)	(75)	-

14 Creditors: amounts falling due after one year

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Treasury loan	**1,120**	1,260	**1,120**	1,260
Hire purchase	**375**	588	**-**	-
	1,495	1,848	**1,120**	1,260
Maturity of debt				
In one year or less	**621**	788	**140**	140
In more than one year but not more than two years	**420**	471	**140**	140
In more than two years but not more than five years	**1,075**	1,377	**980**	1,120
	2,116	2,636	**1,260**	1,400

15 Provisions for liabilities

	Group maintenance, warranty and buy back provisions
At 1 January 2008	305
Charged in the year	1,556
Utilised in the year	(1,209)
At 31 December 2008	**652**

16 Contingent liabilities

The company is a participant in a group banking arrangement with Barclays Bank PLC under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these group facilities. As at 31 December 2008 the contingent liability of the company under this arrangement was £987,000.

17 Called up share capital

	Number	£
Authorised at 31 December 2007 and 31 December 2008		
"A" ordinary shares of £1 each	100,000	100,000
"B" ordinary shares of £1 each	52,500	52,500
	152,500	152,500
Allotted and fully paid at 31 December 2007 and 31 December 2008		
"A" ordinary shares of £1 each	100,000	100,000
"B" ordinary shares of £1 each	52,500	52,500
	152,500	152,500

The shares rank pari passu in all respects except that "B" shares have no voting rights.

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Reserves

	Group	Company
	2008 **£'000**	**2008** **£'000**
Profit and loss account		
At 1 January	**2,804**	**1,386**
(Loss) for the financial year	**(266)**	**-**
Dividend (note 7)	**(381)**	**(381)**
At 31 December	**2,157**	**1,005**
Capital redemption reserve		
At 1 January and 31 December	**77**	**77**
Revaluation reserve		
At 1 January	**1,050**	**1,050**
Surplus on revaluation	**492**	**492**
At 31 December	**1,542**	**1,542**

19 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2008 **£'000**	2007 £'000	**2008** **£'000**	2007 £'000
Opening equity shareholders' funds	**4,083**	3,360	**2,665**	2,538
(Loss)/profit for the financial year	**(266)**	952	**0**	356
Revaluation of Freehold Land & Buildings	**492**	-	**492**	-
Dividend (note 7)	**(381)**	(229)	**(381)**	(229)
Closing equity shareholders' funds	**3,928**	4,083	**2,776**	2,665

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Operating lease commitments

Annual commitments under non-cancellable operating leases relating to land and buildings:

	Group	
	2008 **£'000**	2007 £'000
Operating leases which expire:		
Within two to five years	**63**	36
After five years	**16**	43
	79	79

Annual commitments under non-cancellable operating leases relating to plant and machinery:

	Group	
	2008 **£'000**	2007 £'000
Operating leases which expire:		
Within two to five years	**9**	-
After five years	**-**	-
	9	-

21 Machine repurchase agreements

At 31 December 2008, subsidiary companies have future commitments to repurchase machines from customers, at the customer's option, of up to £5,406,000 (2007: £5,708,000) of which options of up to £1,852, 000 (2007: £1,984,000) may be exercised within 12 months. Option prices vary according to the dates on which the options are exercised and provision has been made in the accounts for any losses expected to arise from these arrangements.

22 Capital commitments

	Group		Company	
	2008 **£'000**	2007 £'000	**2008** **£'000**	2007 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**314**	-	**10**	-

Notes to the financial statements for the year ended 31 December 2008 (continued)

23 Related party disclosures

The group is exempt from disclosing transactions and balances that are eliminated on consolidation. There were no other related party transactions in the year and no balance outstanding.

24 Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating profit	655	2,304
Profit on sale of fixed assets	(18)	(39)
Depreciation charge	877	704
Decrease/(increase) in stocks	4,921	(6,576)
Decrease/(increase) in debtors	3,832	(2,229)
(Decrease)/increase in creditors	(1,200)	397
Net cash inflow/(outflow) from operating activities	9,067	(5,439)

25 Reconciliation of net cash flow to movement in net debt

	2008 £'000	2007 £'000
Increase/(decrease) in cash for the year	5,835	(7,854)
Cash outflow from decrease in debt	1,023	1,145
Inception of new finance leases	(502)	(1,184)
Net debt at 1 January	(19,392)	(11,499)
Net debt at 31 December	(13,036)	(19,392)

26 Analysis of changes in net debt

	At beginning of year	Cash flow	Non-cash changes	At end of year
	£'000	£'000	£'000	£'000
Net cash :				
Cash in hand and at bank	2	-	-	2
Overdraft and stocking facility	(16,757)	5,835	-	(10,922)
	(16,755)	**5,835**	-	**(10,920)**
Debt :				
Debt due within one year	(140)	140	(140)	(140)
Debt due after one year	(1,260)	-	140	(1,120)
Finance lease due within one year	(649)	883	(715)	(481)
Finance lease due within two to five years	(588)	-	213	(375)
	(19,392)	**6,858**	**(502)**	**(13,036)**

27 Post Balance Sheet Events

New bank facilities were agreed with Barclays Bank plc on 14 July 2009 comprising a bank overdraft and term loan. The bank overdraft is secured by a bond and a floating charge over all the group's assets in favour of Barclays Bank PLC. Interest is charged on the bank overdraft at a rate of 2.5% above the bank's base rate. Interest is charged on the treasury loan at a rate of 2.25% above LIBOR.

This will ensure that the group will have sufficient financial resources to continue to deal with the current economic environment.

28 Ultimate controlling party

The company is ultimately controlled by Mr G W F Smith who owns the shares that control voting rights at shareholders' meetings of the company.