

Company Registration No. 01087941 (England and Wales)

**A & J SCOTT LTD.**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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**A & J SCOTT LTD.**

**COMPANY INFORMATION**

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<b>Directors</b>	Mr A Scott Mr R Scott Miss R Bertram Mr R Brewes Mr I Barfoot Mr N Campbell
<b>Secretary</b>	Mrs J Scott
<b>Company number</b>	01087941
<b>Registered office</b>	Station Sawmills Wooperton Alnwick Northumberland NE66 4XP
<b>Auditors</b>	Quantum Accountancy Services Limited Unit 14 Witney Way Boldon Tyne & Wear NE35 9PE

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# **A & J SCOTT LTD.**

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**A & J SCOTT LTD.**

**STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2015***

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The directors present the strategic report and financial statements for the year ended 31 December 2015.

# **A & J SCOTT LTD.**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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### **Fair review of the business**

The company had an excellent year which has been in line with the market trend with increased demand for home-grown timber. The investment in a new sawmill purchased in 2014 has enabled the company to continue to be competitive and grow to meet the requirements of its customers. The company also invested in new technologically advanced sawmilling equipment during Quarter 3 of 2015 which will result in increased efficiencies and will secure the future of the company's other main processing mill.

Turnover decreased slightly to £24,376,353 from £25,735,0073 and the Gross Profit to £4,024,792 from £4,830,276. This was mainly due to reduced production whilst the new sawmilling equipment was being installed.

### **Principal risks and uncertainties**

#### **Financial Instruments**

##### **Liquidity Risk**

The company aims to mitigate liquidity risk by managing cash generated from operations.

##### **Foreign currency risk**

If the company enters into a material contract in a foreign currency it enters a future contract to reduce the company's exposure to currency volatility.

##### **Credit Risk**

The company has external debtors, however the vast majority are insured as factored debtors.

### **Development and performance**

#### **Financial Risk Managements Objective and Policies**

The company finance its operations through a mixture of retained profits and where necessary to fund expansion or capital expenditure programmes through bank borrowings.

The management's objectives are to:

- Retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds;
- Minimise the company's exposure to fluctuating interest rates when seeking new borrowings; and
- Match the repayment schedule of any external borrowings with the expected future cash flows expected to arise from the company's trading activities.

All of the company's surplus funds are invested in sterling bank accounts and all of its borrowings are obtained from standard bank loans, invoice discounting and hire purchase/finance lease agreements.

### **Key performance indicators**

The company monitors the trading performance using a range of key performance indicators as follows:

- Gross Margin as a % of Sales
- Net Profit as a % of Sales
- Inventory Turnover
- Accounts receivable number of days
- Accounts payable number of days
- Return on Equity
- Current Ratio
- Working Capital
- Debt to Equity ratio

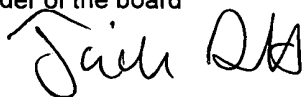
**A & J SCOTT LTD.**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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By order of the board

A handwritten signature in black ink, appearing to read 'J Scott', followed by a large, stylized initial 'A'.

Mrs J Scott

**Secretary**

9 August 2016

# **A & J SCOTT LTD.**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present their annual report and financial statements for the year ended 31 December 2015.

#### **Principal activities**

The principal activity of the company continued to be that of sawmilling and timber merchants. The company does not have any branches outside the UK.

#### **Directors**

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

Mr A Scott  
Mr R Scott  
Miss R Bertram  
Mr R Brewes  
Mr I Barfoot  
Mr N Campbell

#### **Results and dividends**

The results for the year are set out on page 9.

An ordinary dividend was paid amounting to £604,312.

#### **Financial risk management objectives and policies**

This section is now set out in the company's Strategic Report on page 1 of these financial statements.

#### **Directors' insurance**

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

#### **Market value of land and buildings**

In the opinion of the directors the market value of land and buildings is not materially in excess of that shown in the financial statements when considered in relation to its use in the company's trade.

#### **Research and development**

The company embarked on an ongoing Research and Development Programme to improve and develop the productivity and throughput of production facilities. The results of which have seen the company maintain its profitability and competitiveness market.

#### **Future developments**

The directors continuously research and investigate new sawmilling technology to evaluate short-term and long-term investment plans. The directors believe that the company is in a good financial positions and they remain confident that the company will continue to grow but not necessarily at the rate achieved over the past two years.

#### **Auditors**

In accordance with the company's articles, a resolution proposing that Quantum Accountancy Services Limited be reappointed as auditors of the company will be put at the Annual General Meeting.

# **A & J SCOTT LTD.**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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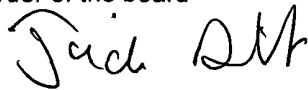
### **Statement of disclosure to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

### **Strategic Report**

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

By order of the board



Mrs J Scott

**Secretary**

9 August 2016



# **A & J SCOTT LTD.**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **A & J SCOTT LTD.**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A & J SCOTT LTD.**

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We have audited the financial statements of A & J Scott Ltd. for the year ended 31 December 2015 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 - 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion 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.

# **A & J SCOTT LTD.**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF A & J SCOTT LTD.**

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Mrs Sheila Heron (Senior Statutory Auditor)**  
**for and on behalf of Quantum Accountancy Services Limited**

9 August 2016

**Chartered Certified Accountants**  
**Statutory Auditor**

Unit 14  
Witney Way  
Baldon  
Tyne & Wear  
NE35 9PE

# A & J SCOTT LTD.

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

			Year
		31 December 2015	31 December 2014
	Notes	£	as restated £
Turnover	3	24,376,353	25,735,073
Cost of sales		(20,351,561)	(20,904,797)
<b>Gross profit</b>		<b>4,024,792</b>	<b>4,830,276</b>
Administrative expenses		(2,287,437)	(2,065,259)
Other operating income		67,854	44,636
<b>Operating profit</b>	<b>4</b>	<b>1,805,209</b>	<b>2,809,653</b>
Interest receivable and similar income	7	2,629	2,448
Interest payable and similar charges	8	(86,812)	(41,036)
<b>Profit before taxation</b>		<b>1,721,026</b>	<b>2,771,065</b>
Taxation	9	(269,308)	(589,095)
<b>Profit for the financial year</b>	<b>27</b>	<b>1,451,718</b>	<b>2,181,970</b>
<b>Total comprehensive income for the year</b>		<b>1,451,718</b>	<b>2,181,970</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# A & J SCOTT LTD.

## BALANCE SHEET

AS AT 31 DECEMBER 2015

		2015		2014 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12	9,172,809		7,562,634	
Investment properties	13	320,000		320,000	
		<u>9,492,809</u>		<u>7,882,634</u>	
<b>Current assets</b>					
Stocks	15	1,370,763		1,321,017	
Debtors	16	3,350,402		3,863,956	
Cash at bank and in hand		2,511,523		2,019,811	
		<u>7,232,688</u>		<u>7,204,784</u>	
<b>Creditors: amounts falling due within one year</b>	17	<u>(5,052,703)</u>		<u>(5,443,485)</u>	
Net current assets		2,179,985		1,761,299	
<b>Total assets less current liabilities</b>		<u>11,672,794</u>		<u>9,643,933</u>	
<b>Creditors: amounts falling due after more than one year</b>	18	(2,742,067)		(1,598,780)	
<b>Provisions for liabilities</b>	21	(554,868)		(516,700)	
<b>Net assets</b>		<u>8,375,859</u>		<u>7,528,453</u>	
<b>Capital and reserves</b>					
Called up share capital	25	18,451		18,451	
Revaluation reserve	26	90,087		90,087	
Profit and loss reserves	27	8,267,321		7,419,915	
<b>Total equity</b>		<u>8,375,859</u>		<u>7,528,453</u>	

The financial statements were approved by the board of directors and authorised for issue on 9 August 2016 and are signed on its behalf by:

Mr A Scott  
Director



Mr R Scott  
Director



Company Registration No. 01087941

# A & J SCOTT LTD.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>As restated for the period ended 31 December 2014:</b>					
<b>Balance at 1 January 2014</b>		18,451	90,087	5,487,469	5,596,007
<b>Period ended 31 December 2014:</b>					
Profit and total comprehensive income for the year		-	-	2,181,970	2,181,970
Dividends	10	-	-	(249,524)	(249,524)
<b>Balance at 31 December 2014</b>		18,451	90,087	7,419,915	7,528,453
<b>Period ended 31 December 2015:</b>					
Profit and total comprehensive income for the year		-	-	1,451,718	1,451,718
Dividends	10	-	-	(604,312)	(604,312)
<b>Balance at 31 December 2015</b>		18,451	90,087	8,267,321	8,375,859

# A & J SCOTT LTD.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	32	2,705,245		4,021,246	
Interest paid		(86,812)		(41,036)	
Income taxes paid		(462,366)		(502,633)	
<b>Net cash inflow from operating activities</b>		<b>2,156,067</b>		<b>3,477,577</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(3,300,586)		(3,996,004)	
Proceeds on disposal of tangible fixed assets		398,283		76,929	
Proceeds from other investments and loans		2,773		(2,773)	
Interest received		2,629		2,448	
<b>Net cash used in investing activities</b>		<b>(2,896,901)</b>		<b>(3,919,400)</b>	
<b>Financing activities</b>					
Repayment of borrowings		500,006		-	
Repayment of bank loans		(233,100)		80,920	
Payment of finance leases obligations		1,569,952		1,472,474	
Dividends paid		(604,312)		(249,524)	
<b>Net cash generated from financing activities</b>		<b>1,232,546</b>		<b>1,303,870</b>	
<b>Net increase in cash and cash equivalents</b>		<b>491,712</b>		<b>862,047</b>	
Cash and cash equivalents at beginning of year		2,019,811		1,157,764	
<b>Cash and cash equivalents at end of year</b>		<b>2,511,523</b>		<b>2,019,811</b>	

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

#### Company information

A & J Scott Ltd. is a company limited by shares incorporated in England and Wales. The registered office is Station Sawmills, Wooperton, Alnwick, Northumberland, NE66 4XP.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on 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.

These financial statements for the year ended 31 December 2015 are the first financial statements of A & J Scott Ltd. prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 33.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.4 Tangible fixed assets

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

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

Land and buildings Freehold	10% on cost
Plant and machinery	at variable rates on reducing balance
Fixtures, fittings & equipment	at variable rates on reducing balance
Motor vehicles	25% on reducing balance



# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

#### 1.6 Impairment of fixed assets

At each reporting end date, the company 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

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

#### 1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1 Accounting policies

(Continued)

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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.

#### **Other financial liabilities**

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

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

### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# **A & J SCOTT LTD.**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2015**

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### **1 Accounting policies**

**(Continued)**

#### **1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.13 Retirement benefits**

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

#### **1.14 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the 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 so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **1.15 Government grants**

Government grants 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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### **1.16 Foreign exchange**

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

### **2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 3 Turnover and other revenue

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

	2015 £	2014 £
<b>Turnover</b>		
Sale of timber	24,376,353	25,735,073
	<u>          </u>	<u>          </u>
<b>Other significant revenue</b>		
Interest income	2,629	2,448
Grants received	48,745	24,300
	<u>          </u>	<u>          </u>

### Turnover analysed by geographical market

	2015 £	2014 £
United Kingdom	24,023,889	25,570,543
European Sales	352,464	164,530
	<u>          </u>	<u>          </u>
	24,376,353	25,735,073
	<u>          </u>	<u>          </u>

### 4 Operating profit

	2015 £	2014 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(10,095)	9,283
Government grants	(48,745)	(24,300)
Depreciation of owned tangible fixed assets	783,912	666,328
Depreciation of tangible fixed assets held under finance leases	345,886	61,879
Impairment of owned tangible fixed assets	129,237	-
(Loss)/profit on disposal of tangible fixed assets	33,094	(9,139)
Cost of stocks recognised as an expense	13,113,140	13,717,859
Operating lease charges	127,428	119,902
	<u>          </u>	<u>          </u>

### 5 Auditors' remuneration

	2015 £	2014 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the company's financial statements	10,000	11,100
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Audit-related assurance services	520	-
All other non-audit services	960	630
	<u>          </u>	<u>          </u>
	1,480	630
	<u>          </u>	<u>          </u>

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 5 Auditors' remuneration (Continued)

For services in respect of associated pension schemes		
All other non-audit services	300	-
	<u>          </u>	<u>          </u>

### 6 Directors' remuneration

	2015	2014
	£	£

Remuneration for qualifying services	282,365	271,232
Company pension contributions to defined contribution schemes	37,750	204,439
	<u>          </u>	<u>          </u>
	320,115	475,671
	<u>          </u>	<u>          </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2014 - 4).

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

Remuneration for qualifying services	70,177	67,005
	<u>          </u>	<u>          </u>

### 7 Interest receivable and similar income

	2015	2014
	£	£

<b>Interest income</b>		
Interest on bank deposits	2,615	2,278
Other interest income	14	170
	<u>          </u>	<u>          </u>
Total income	2,629	2,448
	<u>          </u>	<u>          </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	2,615	2,278
	<u>          </u>	<u>          </u>

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 8 Interest payable and similar charges

	2015 £	2014 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	625	2
Interest on finance leases and hire purchase contracts	68,725	16,393
Interest on invoice finance arrangements	55	1,660
Other interest	17,407	22,981
	<u>86,812</u>	<u>41,036</u>

### 9 Taxation

	2015 £	2014 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	231,140	487,366
	<u>231,140</u>	<u>487,366</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	88,830	91,650
Changes in tax rates	(50,662)	10,079
	<u>38,168</u>	<u>101,729</u>
Total deferred tax	38,168	101,729
	<u>38,168</u>	<u>101,729</u>
Total tax charge	<u>269,308</u>	<u>589,095</u>

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 9 Taxation

(Continued)

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2015 £	2014 £
Profit before taxation	1,721,026	2,771,065
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	348,508	595,502
Tax effect of expenses that are not deductible in determining taxable profit	5,587	-
Tax effect of income not taxable in determining taxable profit	(2,287)	(402)
Effect of change in corporation tax rate	(68,130)	(6,842)
Depreciation on assets not qualifying for tax allowances	1,421	16,937
Research and development tax credit	(17,454)	(32,695)
Effect of revaluations of investments	(1,079)	10,079
Other permanent differences	(30,281)	6,516
Deferred tax adjustments in respect of prior years	6,246	-
Tax at marginal rate	(167)	-
Chargeable gains/(losses)	26,944	-
Tax expense for the year	269,308	589,095

### 10 Dividends

	2015 £	2014 £
Final paid	604,312	249,524
	604,312	249,524

### 11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2015 £	2014 £
In respect of:		
Property, plant and equipment	129,237	-
Recognised in:		
Cost of sales	129,237	-



# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 12 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, Motor vehicles fittings & equipment		Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2015	1,867,163	14,682,360	482,755	318,590	17,350,868
Additions	68,912	2,992,778	128,129	110,767	3,300,586
Business combinations	536,768	(536,768)	-	-	-
Disposals	-	(1,169,940)	(152,127)	(54,829)	(1,376,896)
At 31 December 2015	2,472,843	15,968,430	458,757	374,528	19,274,558
<b>Depreciation and impairment</b>					
At 1 January 2015	1,339,536	7,974,395	349,081	125,221	9,788,233
Depreciation charged in the year	136,253	917,704	30,874	44,967	1,129,798
Impairment losses	-	129,237	-	-	129,237
Eliminated in respect of disposals	-	(914,070)	-	(31,449)	(945,519)
At 31 December 2015	1,475,789	8,107,266	379,955	138,739	10,101,749
<b>Carrying amount</b>					
At 31 December 2015	997,054	7,861,164	78,802	235,789	9,172,809
At 31 December 2014	527,627	6,707,964	133,674	193,369	7,562,634

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £345,886 (2014 - £61,879) for the year.

	2015 £	2014 £
Plant and machinery	4,448,590	2,355,823

More information on the impairment arising in the year is given in note 11.

### 13 Investment property

	2015 £
<b>Fair value</b>	
At 1 January 2015 and 31 December 2015	320,000

Investment property comprises four cottages. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 28th October 2014 arrived at by the value of sale price of one of the cottages. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. It is considered that each of the cottages will be valued at the same price as there have been no market changes in the area.

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 14 Financial instruments

	2015 £	2014 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	2,883,500	3,385,031
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	7,221,722	6,185,549

### 15 Stocks

	2015 £	2014 £
Finished goods and goods for resale	1,370,763	1,321,017

### 16 Debtors

	2015 £	2014 £
<b>Amounts falling due within one year:</b>		
Trade debtors	2,832,956	3,140,376
Other debtors	50,544	244,655
Prepayments and accrued income	466,902	478,925
	3,350,402	3,863,956

Trade debtors disclosed above are measured at amortised cost. They include factored debtors totalling £2,586,977 (2014:£2,355,823).

### 17 Creditors: amounts falling due within one year

	Notes	2015 £	2014 £
Loans and overdrafts	19	572,271	237,536
Obligations under finance leases	20	759,449	411,563
Trade creditors		2,923,584	3,230,786
Corporation tax		106,140	337,366
Other taxation and social security		277,146	318,638
Other creditors		1,340	2,743
Accruals and deferred income		412,773	904,853
		5,052,703	5,443,485

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 18 Creditors: amounts falling due after more than one year

	Notes	2015 £	2014 £
Loans and overdrafts	19	32,619	100,448
Obligations under finance leases	20	2,519,686	1,297,620
Government grants	23	189,762	200,712
		<u>2,742,067</u>	<u>1,598,780</u>

### 19 Loans and overdrafts

	2015 £	2014 £
Bank loans	104,884	337,984
Directors' loans	500,006	-
	<u>604,890</u>	<u>337,984</u>
Payable within one year	572,271	237,536
Payable after one year	32,619	100,448
	<u>604,890</u>	<u>337,984</u>

Bank loans and overdrafts are secured by a debenture to National Westminster Bank Plc, a first charge over all the assets of the company.

### 20 Finance lease obligations

	2015 £	2014 £
Future minimum lease payments due under finance leases:		
Within one year	759,449	411,563
In two to five years	2,234,504	994,443
In over five years	285,182	303,177
	<u>3,279,135</u>	<u>1,709,183</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 21 Provisions for liabilities

		2015 £	2014 £
Deferred tax liabilities	22	554,868	516,700
		<u>554,868</u>	<u>516,700</u>

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the 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:

	Liabilities 2015 £	Liabilities 2014 £
<b>Balances:</b>		
Accelerated capital allowances	545,868	385,066
Revaluations	9,000	10,079
Other timing differences	-	121,555
	<u>554,868</u>	<u>516,700</u>

	2015 £
<b>Movements in the year:</b>	
Liability at 1 January 2015	516,700
Charge to profit or loss	38,168
Liability at 31 December 2015	<u>554,868</u>

The deferred tax liability set out above is expected to reverse within [12 months] and relates to accelerated capital allowances that are expected to mature within the same period.

### 23 Government grants

Grant income is included in the financial statements as follows:

Government grants released in the year £45,845. There are grants to release in the future of £189,762 (2014: £200,712)

### 24 Retirement benefit schemes

#### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £59,446 (2014 - £218,779).

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 25 Share capital

	2015 £	2014 £
Ordinary share capital Issued and fully paid 18,451 Ordinary of £1 each	18,451	18,451

### 26 Revaluation reserve

	2015 £	2014 £
At beginning of year	90,087	90,087
At beginning and end of year	90,087	90,087

### 27 Profit and loss reserves

	2015 £	2014 as restated £
At the beginning of the year	7,419,915	5,487,469
Profit for the year	1,451,718	2,181,970
Dividends	(604,312)	(249,524)
At the end of the year	8,267,321	7,419,915

### 28 Financial commitments, guarantees and contingent liabilities

There were no contingent liabilities at the year end.

### 29 Operating lease commitments

#### Lessee

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

	2015 £	2014 £
Within one year	81,086	97,264
Between two and five years	84,772	166,782
In over five years	4,958	20,390
	170,816	284,436

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 30 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2015 £	2014 £
Aggregate compensation	320,115	475,671

#### Transactions with related parties

During the year £30,275 (2014: £25,100) was paid to A & J Scott Limited Directors Retirement Benefit Scheme in respect of rent.

The company has loans from A & J Scott Limited Directors Retirement Benefit Scheme which have interest charged at market rates. At the year end the company owed £104,885 to the Retirement Benefit Scheme.

At the year end the company owed Mr R Scott £272,612 and Mr A Scott £227,394.

No guarantees have been given or received.

### 31 Controlling party

The ultimate controlling party is Mr A Scott by virtue of his being the majority shareholder.

### 32 Cash generated from operations

	2015 £	2014 £
Profit for the year	1,451,718	2,181,970
<b>Adjustments for:</b>		
Taxation charged	269,308	589,095
Finance costs	86,812	41,036
Investment income	(2,629)	(2,448)
Loss/(gain) on disposal of tangible fixed assets	33,094	(9,139)
Depreciation and impairment of tangible fixed assets	1,259,035	728,207
<b>Movements in working capital:</b>		
(Increase) in stocks	(49,746)	(242,692)
Decrease/(increase) in debtors	510,780	(310,380)
(Decrease)/increase in creditors	(842,177)	886,821
(Decrease)/increase in deferred income	(10,950)	158,776
<b>Cash generated from operations</b>	<b>2,705,245</b>	<b>4,021,246</b>

**A & J SCOTT LTD.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
***FOR THE YEAR ENDED 31 DECEMBER 2015***

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**33 Reconciliations on adoption of FRS 102**

## A & J SCOTT LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 33 Reconciliations on adoption of FRS 102

(Continued)

##### Reconciliation of equity

		At 1 January 2014			At 31 December 2014			
		Previous UK GAAP	Effect of transition	FRS 102	Previous UK GAAP	Effect of transition	FRS 102	
	Notes	£	£	£	£	£	£	
<b>Fixed assets</b>								
Tangible assets	1	4,592,538	(229,913)	4,362,625	7,792,547	(229,913)	7,562,634	
Investment properties	2	-	320,000	320,000	-	320,000	320,000	
		<u>4,592,538</u>	<u>90,087</u>	<u>4,682,625</u>	<u>7,792,547</u>	<u>90,087</u>	<u>7,882,634</u>	
<b>Current assets</b>								
Stocks		1,078,325	-	1,078,325	1,321,017	-	1,321,017	
Debtors		3,550,805	-	3,550,805	3,863,956	-	3,863,956	
Bank and cash		1,157,764	-	1,157,764	2,019,811	-	2,019,811	
		<u>5,786,894</u>	<u>-</u>	<u>5,786,894</u>	<u>7,204,784</u>	<u>-</u>	<u>7,204,784</u>	



## A & J SCOTT LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 33 Reconciliations on adoption of FRS 102

(Continued)

Notes	At 1 January 2014			At 31 December 2014			FRS 102
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £		£
<b>Creditors due within one year</b>							
Loans and overdrafts	(123,800)	-	(123,800)	(237,536)	-		(237,536)
Finance leases	(155,674)	-	(155,674)	(411,563)	-		(411,563)
Taxation	(730,219)	-	(730,219)	(656,004)	-		(656,004)
Other creditors	(3,192,613)	-	(3,192,613)	(4,138,382)	-		(4,138,382)
	(4,202,306)	-	(4,202,306)	(5,443,485)	-		(5,443,485)
Net current assets	1,584,588	-	1,584,588	1,761,299	-		1,761,299
Total assets less current liabilities	6,177,126	90,087	6,267,213	9,553,846	90,087		9,643,933
<b>Creditors due after one year</b>							
Loans and overdrafts	(133,264)	-	(133,264)	(100,448)	-		(100,448)
Finance leases	(81,035)	-	(81,035)	(1,297,620)	-		(1,297,620)
Deferred income	(41,936)	-	(41,936)	(200,712)	-		(200,712)
	(256,235)	-	(256,235)	(1,598,780)	-		(1,598,780)
<b>Provisions for liabilities</b>							
Deferred tax 3	(414,971)	-	(414,971)	(506,621)	(10,079)		(516,700)
Net assets	5,505,920	90,087	5,596,007	7,448,445	80,008		7,528,453

## A & J SCOTT LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 33 Reconciliations on adoption of FRS 102

(Continued)

Notes	At 1 January 2014			At 31 December 2014			FRS 102 £
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £		
<b>Capital and reserves</b>							
Share capital	18,451	-	18,451	18,451	-	18,451	
Revaluation reserve	-	90,087	90,087	-	90,087	90,087	
Profit and loss	5,487,469	-	5,487,469	7,429,994	(10,079)	7,419,915	
Total equity	5,505,920	90,087	5,596,007	7,448,445	80,008	7,528,453	

# A & J SCOTT LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### Reconciliation of profit or loss for the year

	Notes	Year ended 31 December 2014		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
Turnover		25,735,073	-	25,735,073
Cost of sales		(20,904,797)	-	(20,904,797)
Gross profit		4,830,276	-	4,830,276
Administrative expenses		(2,065,259)	-	(2,065,259)
Other operating income		44,636	-	44,636
Operating profit		2,809,653	-	2,809,653
Interest receivable and similar income		2,448	-	2,448
Interest payable and similar charges		(41,036)	-	(41,036)
Profit before taxation		2,771,065	-	2,771,065
Taxation		(579,016)	(10,079)	(589,095)
Profit for the financial period		2,192,049	(10,079)	2,181,970

### Notes to reconciliations on adoption of FRS 102

#### 1. Investment Property

The investment property is made up of four cottages owned by the company which are rented out. In prior years they have been included in Freehold Property costs but have now been transferred to Investment Property.

#### 2. Fair Value of Investment Property

One of the cottages was valued in 2014 at £80,000 and it is considered that this is a fair value for each of the properties at 1st January 2015.

#### 3. Deferred Tax Adjustment

The revaluation of investment property increases the deferred tax provision required.