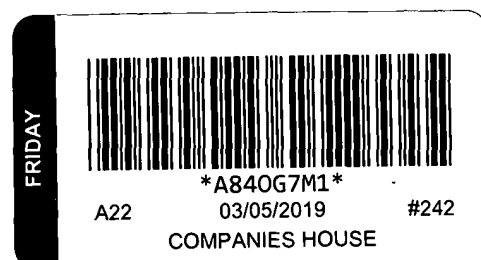


A & J SCOTT LIMITED

Annual Report and Financial Statements
for the Year Ended 31 December 2018



A & J Scott Limited

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A & J Scott Limited

Company Information

Directors Miss R Bertram
Mr A Scott
Mr RA Scott
Mr I Barfoot

Company secretary Mrs J Scott

Registered office Station Sawmills
Wooperton
Alnwick
Northumberland
NE66 4XW

Auditor Tait Walker LLP
Chartered Accountants & Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

A & J Scott Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is that of sawmilling and timber merchants.

Fair review of the business

The company again had an excellent year, in line with the market trend seeing continued demand for home-grown timber. The company benefitted from investments in new production facilities over recent years.

The company achieved a record-breaking year in 2018 with both turnover and profits breaking all previous records. Turnover in 2018 was £34,223,908, an increase of £5.25m from 2017. Despite increasing raw material prices, the company's Gross Profit percentage increased from 15.43% to 18.63%. Profit before taxation increased from £1,554,240 to £4,236,191.

The directors consider the results for 2018 to be very satisfactory and the increase in Shareholders' Funds from £10,356,752 to £13,673,352 a solid base for the further investment in the future.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Gross profit margin	%	18.63	15.43
Net profit margin	%	12.38	5.37
Inventory turnover days	Days	25.00	26.00
Debt to Equity ratio (creditors due after one year compared to shareholders' funds)		.44	.45

Principal risks and uncertainties

The company finances its operations through a mixture of retained profits and bank borrowings. The directors objectives in relation to its finances is to manage the working capital, namely debtors, creditors and bank balances and to meet day to day obligations as and when they fall due. They aim to maximise returns on surplus funds whilst minimising any exposure to fluctuating interest rates on borrowings in the pursuit of new investments or capital expenditure programmes. Their intention is to enhance trading and long term profitability.

Health & Safety Risk

The company continues to invest in new technologies, which fit with our overall thinking and approach towards Health & Safety. This helps us focus on important development and training in line with the continuous improvement of the Health & Safety culture throughout the company.

Environmental Risk

Environmental and social responsibilities sit very high in our approach to how we operate. We take nature's contribution to our industry very seriously, which is why we only use timber from well-managed forests that operate robust and sustainable programmes of replanting and renewal. The company holds FSC-C005537 certification. We are committed to continue to approach all our business activities by giving serious consideration to ecological, social and sustainable factors.

A & J Scott Limited


Strategic Report for the Year Ended 31 December 2018 (continued)

Development and Performance

The directors are optimistic for the future performance of the business. During Q4 2018, the company invested £3m in a new value added secondary processing line. The new line is expected to commence production by May 2019, which will lead to increased efficiencies throughout the site.

During 2018 the company also purchased an adjacent field which more than doubles the size of their site in Northumberland.

Approved by the Board on 18 April 2019 and signed on its behalf by:


.....
Mrs J Scott
Company secretary

A & J Scott Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the year were as follows:

Miss R Bertram

Mr A Scott

Mr N Campbell (resigned 29 November 2018)

Mr RA Scott

Mr I Barfoot

Financial instruments

Objectives and policies

The company finances its activities with a combination of finance leases and hire purchase contracts, cash, short term deposits and debtor factoring. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk

Price risk is the risk that changes in raw material prices have the potential to impact on the profitability of the company. The company does not consider that it is materially exposed to price risk.

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Company policies are aimed at minimising such losses and require customers to satisfy credit worthiness procedures prior to acceptance of contracts. The company also utilises insurance policies to protect against non-payment of debt along with debt factoring. The company does not consider that it is materially exposed to credit risk.

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. This, coupled with the strong cash position of the Company is deemed sufficient to minimise the Company's exposure to cash flow and liquidity risk.

Foreign Exchange risk

Foreign exchange risk refers to the potential for loss from exposure to foreign exchange rate fluctuations. Company policies are aimed at minimising this risk. The company does not consider that it is materially exposed to foreign exchange risk.

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 position and they remain confident that the company will continue to grow but not necessarily at the rate achieved over the past two years.

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 in the market.

A & J Scott Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Disclosure of information to the auditor

Each director has taken steps that 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

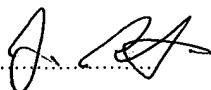
Reappointment of auditor

Tait Walker LLP were appointed as auditors during the year replacing Quantum Accountancy Services Limited.

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Tait Walker LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 18 April 2019 and signed on its behalf by:

.....
Mrs J Scott
Company secretary



A & J Scott Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Limited

Independent Auditor's Report to the Members of A & J Scott Limited

Opinion

We have audited the financial statements of A & J Scott Limited (the 'company') for the year ended 31 December 2018, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

A & J Scott Limited

Independent Auditor's Report to the Members of A & J Scott Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

A & J Scott Limited

Independent Auditor's Report to the Members of A & J Scott Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are 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.

Tait Walker LLP

Mark Bruton BSc FCA (Senior Statutory Auditor)
For and on behalf of Tait Walker LLP
Chartered Accountants and Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 23.5.2019

A & J Scott Limited

Income Statement for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	34,223,908	28,965,021
Cost of sales		<u>(27,848,794)</u>	<u>(24,496,093)</u>
Gross profit		6,375,114	4,468,928
Administrative expenses		(2,368,220)	(2,512,086)
Exceptional administrative expenses	5	50,000	(400,000)
Other operating income	4	<u>44,290</u>	<u>67,390</u>
Operating profit	5	4,101,184	1,624,232
Other interest receivable and similar income	6	209,831	2,463
Interest payable and similar expenses	7	<u>(74,824)</u>	<u>(72,455)</u>
Profit before tax		4,236,191	1,554,240
Taxation	11	<u>(819,591)</u>	<u>(369,410)</u>
Profit for the financial year		<u><u>3,416,600</u></u>	<u><u>1,184,830</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 29 form an integral part of these financial statements.

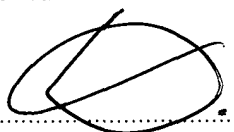
A & J Scott Limited

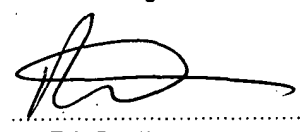
(Registration number: 01087941)

Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	9,165,425	8,390,850
Investment property	13	<u>320,000</u>	<u>320,000</u>
		<u>9,485,425</u>	<u>8,710,850</u>
Current assets			
Stocks	14	2,076,067	1,786,610
Debtors	15	6,076,140	4,682,965
Cash at bank and in hand		<u>2,997,752</u>	<u>1,555,146</u>
		<u>11,149,959</u>	<u>8,024,721</u>
Creditors: Amounts falling due within one year	17	<u>(5,960,366)</u>	<u>(4,637,473)</u>
Net current assets		<u>5,189,593</u>	<u>3,387,248</u>
Total assets less current liabilities		<u>14,675,018</u>	<u>12,098,098</u>
Creditors: Amounts falling due after more than one year	17	<u>(488,603)</u>	<u>(1,292,178)</u>
Provisions for liabilities	19	<u>(513,063)</u>	<u>(449,168)</u>
Net assets		<u><u>13,673,352</u></u>	<u><u>10,356,752</u></u>
Capital and reserves			
Called up share capital	21	18,451	18,451
Revaluation reserve	22	89,120	90,087
Profit and loss account	22	<u>13,565,781</u>	<u>10,248,214</u>
Total equity		<u><u>13,673,352</u></u>	<u><u>10,356,752</u></u>

Approved and authorised by the Board on 18 April 2019 and signed on its behalf by:


 Mr A Scott
 Director


 Mr RA Scott
 Director

The notes on pages 14 to 29 form an integral part of these financial statements.

A & J Scott Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2017	18,451	90,087	9,218,784	9,327,322
Profit for the year	-	-	1,184,830	1,184,830
Total comprehensive income	-	-	1,184,830	1,184,830
Dividends	-	-	(155,400)	(155,400)
At 31 December 2017	18,451	90,087	10,248,214	10,356,752

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2018	18,451	90,087	10,248,214	10,356,752
Profit for the year	-	-	3,416,600	3,416,600
Total comprehensive income	-	-	3,416,600	3,416,600
Dividends	-	-	(100,000)	(100,000)
Transfers	-	(967)	967	-
At 31 December 2018	18,451	89,120	13,565,781	13,673,352

The notes on pages 14 to 29 form an integral part of these financial statements.

A & J Scott Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		3,416,600	1,184,830
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,231,136	1,306,165
(Profit)/loss on disposal of tangible assets		(3,381)	162,120
Finance income	6	(209,831)	(2,463)
Finance costs	7	74,824	72,455
Income tax expense	11	819,591	369,410
		<u>5,328,939</u>	<u>3,092,517</u>
Working capital adjustments			
Increase in stocks	14	(289,457)	(489,926)
Increase in debtors	15	(1,393,175)	(583,711)
Increase/(decrease) in creditors	17	946,154	(727,211)
Decrease in deferred income, including government grants		<u>(27,108)</u>	<u>(27,109)</u>
Cash generated from operations		4,565,353	1,264,560
Income taxes paid	11	<u>(429,893)</u>	<u>(361,765)</u>
Net cash flow from operating activities		<u>4,135,460</u>	<u>902,795</u>
Cash flows from investing activities			
Interest received	6	209,831	2,463
Acquisitions of tangible assets		(2,181,574)	(1,768,570)
Proceeds from sale of tangible assets		<u>179,244</u>	<u>141,206</u>
Net cash flows from investing activities		<u>(1,792,499)</u>	<u>(1,624,901)</u>
Cash flows from financing activities			
Interest paid	7	(74,824)	(72,455)
Proceeds from other borrowing draw downs		(160,000)	(150,000)
Repayment of other borrowing		223,901	273,079
Payments to finance lease creditors		(789,432)	(713,761)
Dividends paid	24	<u>(100,000)</u>	<u>(155,400)</u>
Net cash flows from financing activities		<u>(900,355)</u>	<u>(818,537)</u>
Net increase/(decrease) in cash and cash equivalents		1,442,606	(1,540,643)
Cash and cash equivalents at 1 January		<u>1,555,146</u>	<u>3,095,789</u>
Cash and cash equivalents at 31 December		<u><u>2,997,752</u></u>	<u><u>1,555,146</u></u>

The notes on pages 14 to 29 form an integral part of these financial statements.

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is Station Sawmills, Wooperton, Alnwick, Northumberland, NE66 4XW.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in sterling which is the functional currency of the entity.

Judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives of tangible assets - The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount is £9,165,425 (2017 - £8,390,850).

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Revenue recognition

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.

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 despatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold land & buildings	10% reducing balance
Plant & machinery	At variable rates on reducing balance
Fixtures, fittings & equipment	At variable rates on reducing balance
Motor vehicles	25% reducing balance

Investment property

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

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and goods for resale comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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.

Trade creditors

Trade creditors 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 the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018	2017
	£	£
Sale of timber	<u>34,223,908</u>	<u>28,965,021</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £	2017 £
Government grants	27,109	27,109
Miscellaneous other operating income	17,181	40,281
	<u>44,290</u>	<u>67,390</u>

5 Operating profit

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation expense	1,231,136	1,306,165
Foreign exchange (gains)/losses	(22,866)	21,141
(Profit)/loss on disposal of property, plant and equipment	(3,381)	162,120
Exceptional administrative expenses	<u>(50,000)</u>	<u>400,000</u>

The exceptional administrative expense in 2018 and 2017 relates to transactions with the HSE.

6 Other interest receivable and similar income

	2018 £	2017 £
Interest income on bank deposits	<u>209,831</u>	<u>2,463</u>

7 Interest payable and similar expenses

	2018 £	2017 £
Interest on bank overdrafts and borrowings	33,691	10,213
Interest on obligations under finance leases and hire purchase contracts	39,892	62,242
Interest expense on other finance liabilities	1,241	-
	<u>74,824</u>	<u>72,455</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£	£
Wages and salaries	3,909,959	3,832,266
Social security costs	365,520	355,705
Pension costs, defined contribution scheme	108,360	226,957
	<u>4,383,839</u>	<u>4,414,928</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018	2017
	No.	No.
Production	119	124
Administration and support	30	28
	<u>149</u>	<u>152</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£	£
Remuneration	129,611	223,253
Contributions paid to money purchase schemes	56,387	67,468
	<u>185,998</u>	<u>290,721</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018	2017
	No.	No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2018	2017
	£	£
Remuneration	60,413	68,674
Company contributions to money purchase pension schemes	<u>702</u>	<u>6,091</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	13,000	12,500
Other fees to auditors		
All other assurance services	-	300

11 Taxation

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	776,901	434,925
UK corporation tax adjustment to prior periods	(21,205)	(10,822)
	<u>755,696</u>	<u>424,103</u>
Deferred taxation		
Arising from origination and reversal of timing differences	18,938	(54,648)
Arising from changes in tax rates and laws	(1,128)	(45)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>46,085</u>	<u>-</u>
Total deferred taxation	<u>63,895</u>	<u>(54,693)</u>
Tax expense in the income statement	<u>819,591</u>	<u>369,410</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Taxation (continued)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	4,236,191	1,554,240
Corporation tax at standard rate	804,876	299,191
Effect of revenues exempt from taxation	(14,653)	(21,391)
Effect of expense not deductible in determining taxable profit (tax loss)	2,476	79,309
Deferred tax expense (credit) relating to changes in tax rates or laws	(1,128)	(45)
Deferred tax expense (credit) from unrecognised tax loss or credit	-	5,216
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	(21,205)	(10,822)
Tax increase (decrease) from effect of capital allowances and depreciation	49,225	10,994
Tax increase (decrease) from other short-term timing differences	-	(209)
Tax increase (decrease) from changes in tax provisions due to legislation	-	7,167
Total tax charge	819,591	369,410

Deferred tax

Deferred tax assets and liabilities

	Liability £
2018	
ACAs	495,640
Revaluations	8,220
Other timing differences	(1,904)
	501,956
2017	
ACAs	449,536
Revaluations	-
Other timing differences	369
	449,905

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

12 Tangible assets

	Land and buildings £	Assets under Construction £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation						
At 1 January						
2018	2,472,842	812,153	369,329	15,471,962	504,338	19,630,624
Additions	320,250	1,029,694	45,305	725,867	60,458	2,181,574
Disposals	-	-	(58,835)	(422,502)	(164,969)	(646,306)
At 31 December						
2018	<u>2,793,092</u>	<u>1,841,847</u>	<u>355,799</u>	<u>15,775,327</u>	<u>399,827</u>	<u>21,165,892</u>
Depreciation						
At 1 January						
2018	1,623,565	-	300,456	9,097,828	217,925	11,239,774
Charge for the year	48,717	-	24,908	1,094,855	62,656	1,231,136
Eliminated on disposal	-	-	(56,320)	(345,402)	(68,721)	(470,443)
At 31 December						
2018	<u>1,672,282</u>	<u>-</u>	<u>269,044</u>	<u>9,847,281</u>	<u>211,860</u>	<u>12,000,467</u>
Carrying amount						
At 31 December						
2018	<u>1,120,810</u>	<u>1,841,847</u>	<u>86,755</u>	<u>5,928,046</u>	<u>187,967</u>	<u>9,165,425</u>
At 31 December						
2017	<u>849,277</u>	<u>812,153</u>	<u>68,873</u>	<u>6,374,134</u>	<u>286,413</u>	<u>8,390,850</u>

Included within the net book value of land and buildings above is £1,120,810 (2017 - £849,277) in respect of freehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £	2017 £
Plant and machinery	<u>2,891,205</u>	<u>3,725,750</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Investment properties

	2018 £
At 1 January	320,000
At 31 December	<u>320,000</u>

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. The directors are of the opinion that there has been no movements in the fair value.

14 Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>2,076,067</u>	<u>1,786,610</u>

The cost of stocks recognised as an expense in the year amounted to £19,205,938 (2017 - £15,632,774).

15 Debtors

	2018 £	2017 £
Trade debtors	4,987,480	3,844,358
Other debtors	832,293	3,143
Prepayments	<u>256,367</u>	<u>835,464</u>
	<u>6,076,140</u>	<u>4,682,965</u>

16 Cash and cash equivalents

	2018 £	2017 £
Cash at bank	<u>2,997,752</u>	<u>1,555,146</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

17 Creditors

	Note	2018 £	2017 £
Due within one year			
Loans and borrowings	18	869,720	845,893
Trade creditors		2,591,805	2,153,895
Social security and other taxes		535,567	333,185
Directors loan accounts		78,567	95,194
Other creditors		265,124	89,812
Accrued expenses		918,403	771,226
Corporation tax liability		674,071	348,268
Deferred income		27,109	-
		<u>5,960,366</u>	<u>4,637,473</u>
Due after one year			
Loans and borrowings	18	407,276	1,156,634
Deferred income		81,327	135,544
		<u>488,603</u>	<u>1,292,178</u>

18 Loans and borrowings

	2018 £	2017 £
Current loans and borrowings		
Hire Purchase and finance lease liabilities	759,127	777,595
Other borrowings	110,593	68,298
	<u>869,720</u>	<u>845,893</u>

	2018 £	2017 £
Non-current loans and borrowings		
Hire purchase and finance lease liabilities	296,467	1,067,431
Other borrowings	110,809	89,203
	<u>407,276</u>	<u>1,156,634</u>

19 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 January 2018	449,168	449,168
Increase (decrease) in existing provisions	63,895	63,895
At 31 December 2018	<u>513,063</u>	<u>513,063</u>

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

19 Deferred tax and other provisions (continued)

Deferred tax assets are offset where the company has a legally enforceable right to do so. The deferred tax liability set out above is expected to reverse and relates to accelerated capital allowances that are expected to mature within the same period.

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £108,360 (2017 - £226,957).

Contributions totalling £11,198 (2017 - £Nil) were payable to the scheme at the end of the year and are included in creditors.

21 Share capital

Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary share capital of £1 each	<u>18,451</u>	<u>18,451</u>	<u>18,451</u>	<u>18,451</u>

22 Reserves

Share capital

Share capital represents the issued share capital of the company.

Profit and loss reserve

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Revaluation reserve

Revaluation reserves represent the surplus obtained from previous revaluations of investment property

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

23 Obligations under leases and hire purchase contracts

Finance leases

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.

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	788,443	777,595
Later than one year and not later than five years	267,151	1,067,431
	<u>1,055,594</u>	<u>1,845,026</u>

Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	-	15,702

The amount of non-cancellable operating lease payments recognised as an expense during the year was £15,702 (2017 - £98,597).

24 Dividends

	2018 £	2017 £
Interim dividend of £5.4198 (2017 - £8.4223) per ordinary share	<u>100,000</u>	<u>155,400</u>

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £553,126 (2017 - £3,115,500).

A & J Scott Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

26 Related party transactions

A & J Scott Limited Directors Retirement Benefit Scheme is a related party by virtue of common directors. During the year £32,000 (2017 - £32,000) of rent was charged. At the year end, the balance was £nil (2017 - £nil).

In addition, A & J Scott Limited Directors Retirement Benefit Scheme have provided a loan which has interest charged at market rates. At the year end, the balance was £221,402 (2017 - £157,501).

R Scott Forestry is a related party due to being under the control of a director. During the year £606,893 (2017 - £nil) of purchases were made from R Scott Forestry. At the year end, the balance was £nil (2017 - £nil).

During the year there were dividends paid to directors of £100,000 (2017 - £155,400)

Key management compensation

	2018 £	2017 £
Salaries and other short term employee benefits	<u>129,611</u>	<u>223,031</u>

27 Financial instruments

Categorisation of financial instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	<u>8,241,599</u>	<u>5,402,647</u>
	<u>8,241,599</u>	<u>5,402,647</u>
Financial liabilities measured at amortised cost	<u>2,920,372</u>	<u>2,649,089</u>
Loan commitments measured at cost less impairment	<u>1,276,996</u>	<u>2,002,527</u>
	<u>4,197,368</u>	<u>4,651,616</u>

28 Parent and ultimate parent undertaking

The ultimate controlling party is Mr A Scott.