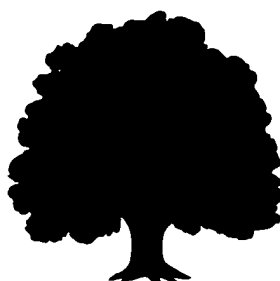


# ALBA TREES plc



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COMPANIES HOUSE

Directors' Report and Financial Statements  
for the year ended 31<sup>st</sup> August 2016

Company Registration No. 2188633 (England and Wales)

**ALBA TREES PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

# ALBA TREES PLC

## COMPANY INFORMATION

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<b>Directors</b>	R Shearer C M Hyde D J Mackison A G Wiseman
<b>Secretary and Registrars</b>	S J F Hendry MBM Commercial LLP 5th Floor 125 Princes Street Edinburgh EH2 4AD
<b>Company number</b>	2188633
<b>Registered office</b>	Regent House 316 Beulah Hill London SE19 3HF
<b>Auditor</b>	Geoghegans Chartered Accountants 6 St Colme Street Edinburgh EH3 6AD
<b>Business address</b>	Lower Winton Gladsmuir East Lothian EH33 2AL

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# ALBA TREES PLC

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# ALBA TREES PLC

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 AUGUST 2016**

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The directors present the strategic report and financial statements for the year ended 31 August 2016.

### **Principal activities**

The company produces high quality cell-grown plants for commercial forestry and new native woodland creation, as well as the landscape and conservation sectors. Other markets include corporate promotions, online sales and trade with other nurseries.

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

The downturn in woodland creation caused by the transition to the new Forestry Grant Scheme predicted in last year's report did come to fruition, and had a major impact on how we managed the business. However, we have increased our market share and remained profitable during this difficult year.

The transition to this new grant scheme has been problematic and there have been issues preventing the Forestry Commission (FC) progressing a large number of applications, especially surrounding the IT system employed. This has led to delays in grant approvals and thus tree planting, with many in the forestry industry viewing the approval process as being overly complex and bureaucratic, often unnecessarily requiring detailed Environmental Impact Assessments. This has had a negative impact on the nursery trade, with some in the sector being forced to destroy a substantial amount of trees. Alba are well placed to deal with fluctuations in the market because we produce cell-grown plants that can be carried into subsequent sales years, avoiding the requirement for considerable stock write-offs and efforts have been made to adjust our production and staffing levels accordingly.

The current Scottish Government has pledged to streamline the FC grant approval process and aims to meet planting targets of 10,000ha per annum until at least 2022. A report has been commissioned to analyse the current arrangements for the approval of forestry planting proposals and the Scottish Government have a positive attitude towards the industry and are committed to meeting their ambitious carbon reduction targets.

Forestry remains a very lucrative investment given the burgeoning market in sustainable construction materials. Timber has been the top performing asset class in the UK over the past 15 years and the forestry industry is worth over £1billion to the Scottish economy, employing over 25,000 staff predominantly in rural locations. This explains the Scottish Government's emphasis on productive forestry at the expense of native woodland creation.

The outlook is fairly positive for the Scottish forestry trade. The same, however, cannot be said for other parts of the UK. Over 83% of UK woodland creation in 2015-16 was done in Scotland. England is currently 7 years behind its planting targets and it has been suggested that England is verging on a state of deforestation. A Westminster Hall debate involving a broad spectrum of MPs concluded that planting targets in England and Wales are simply not ambitious enough. A Woodland Carbon Fund is proposed, providing £19million for applications in England to assist woodland creation to help meet carbon emission targets and to reverse the lack of tree planting in recent years.

The Woodland Trust, who operate throughout the UK, planted almost 1,800,000 trees, brought 4,742 hectares of ancient woodland into restoration and saved 41 ancient woods from destruction in 2016. Over the next 10 years the Woodland Trust aims to plant one tree for each of the 64 million inhabitants of the UK.

Alba has recently secured 85% of the Woodland Trust's cell-grown plant requirement until at least 2021, with over 5.7 million plants and associated sundry items required during that period. This provides welcome stability and our success in winning the contract is testament to the commitment we have made to working with the Trust in recent years.

# ALBA TREES PLC

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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### **Risks**

The Board reviews a number of performance indicators on a regular basis and one of the key elements of this is the strategic risk process. The Board debates key risks as part of the annual business planning process and reviews these and new risks periodically throughout the year. The Board's current view of the main risks and uncertainties faced by the company is as follows:

#### ***Weather***

Adverse weather will always present an operational risk but we have mitigated the impact of this strategic risk by investing in our infrastructure and carrying out extensive maintenance programmes to our nursery facilities.

Our customers may have to amend the timing of planting operations due to severe frost, snow or drought. The use of cell-grown trees allows for this flexibility and our sales team liaise closely with customers to meet their changing requirements.

#### ***Pest & Disease***

Pests and diseases continue to have a high profile within UK forestry, although recent monitoring of progress suggests a sporadic progression of major pathogens throughout UK forests. There is a need to replant infected woodlands, but this will be spread over several years.

Alba is considered to be at low risk of contracting disease on the nursery and these health credentials provide opportunity for increased sales into markets where disease is a high profile issue. We are consistently given a clean bill of health by the Plant Health Inspectorate and our policy of not importing trees from outside the UK has enhanced our reputation in this regard, as has our involvement in various biosecurity and plant health initiatives. Alba are one of the first nurseries to meet the strict plant health and traceability criteria of the UK Sourced and Grown (UKSG) assurance scheme devised by the Woodland Trust and we are passported to move our stock anywhere in the UK and Europe.

We are working to ensure that our staff have appropriate training in the identification of pest and disease and we have embarked on a major programme of strict biosecurity controls within the nursery.

Alba are recognised as the main producer of plants for the replanting of Caledonian Pine in the north of Scotland. There are two main risks to our position in this market: the first being the increased emphasis on productive forestry; the second being the policy on the movement of pine in relation to the disease *Dothistroma*. At present, there is a moratorium on the movement of pine from the south of Scotland to native pine buffer zone areas because of the considered risk of spread of different strains of the disease. We are liaising with the plant health authorities to have this lifted so that nurseries that have been rigorously tested and found to be free of the disease can move their stock into the pine buffer zone areas.

#### ***Climate change***

Allied to market fears about pest and disease have been concerns about climate change and adapting our forests for future changes in the climate. This is likely to prompt some alterations in the species mix required towards those best suited to cell production methods in which we specialise.

Alba is in discussion with industry bodies, seed suppliers, forestry professionals and the timber processing trade to spearhead advances in increased forest resilience and diversity. We are actively growing and promoting a range of 'alternative' species and sit on the FC framework for the supply of these species to the national forest estate over the period up to 2019. Thus far, we have provided over 850,000 of these trees to the FC.

# **ALBA TREES PLC**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

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### ***Forestry grants***

We have mitigated the drop in market demand over the past year by diversifying into areas of forestry that are less grant-reliant, such as conifer restocking and we are establishing ourselves in the increasingly relevant montane and understorey sectors. We are also increasing efforts on value added items including tree protection products – we are an official distributor for the leading tree protection manufacturer. In addition, we have focused on research and development surrounding alternative chemical insecticide options and additional, unique, fertiliser products.

### ***Brexit***

The UK's decision to leave the European Union has caused a considerable degree of uncertainty in a number of areas, not least in terms of rural funding and grant assistance. There are a number of variables and unknowns and it is problematic to predict what the future may hold. Brexit may provide opportunities for positive change in forestry, with increased options for more effective legislation or subsidies. Current subsidies can distort the value of farmland to the disadvantage of forestry, however, if priorities shift land prices may reduce and afforestation could be made more attractive and financially viable. That said, should a weak pound lead to increased food prices and implications for inflation, maintenance of farm incomes through subsidies may be an attractive option for government. A range of areas will require discussion and, perhaps, change. Everything from plant health, grants and budgets to the recruitment of migrant labour, employment and health and safety law will come under scrutiny and it remains to be seen what the full impact will be on forestry and other areas.

### ***Organisational changes at FC Scotland***

The Scottish Government has recently consulted the industry on potential plans to fully devolve Scottish forestry from the UK Forestry Commission, integrating forestry matters into a new 'rural' department overseen by Scottish Ministers rather than the existing Commissioners. The forestry industry has viewed this with some skepticism, with some citing the risk of a considerable loss of forestry-specific knowledge and experience. Like Brexit, it remains to be seen what – if any – impact this has upon the sector and Alba.

### ***Development and performance***

There has been an increased interest in accessing non-government funding for woodland creation, such as funding from carbon offsetting schemes and the trust sector.

We are actively engaging with officials and ministers of the Scottish and Westminster Parliaments and attending various industry meetings and events to raise the profile of forestry in the UK.

### ***Financial instruments***

The company makes little use of financial instruments other than the operation of bank accounts and loans. The directors believe the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the value of assets, liabilities, the financial position and profit and loss of the company.

# ALBA TREES PLC

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2016**

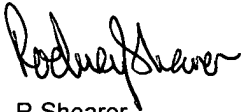
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### **Key performance indicators**

The Board measures the performance of the company through the review of a number of key performance indicators. These are discussed at Board meetings and are as follows:

- Sales volume
- Unit price
- Labour cost and productivity
- Credit control
- Cash flow

On behalf of the board



R Shearer

**Director**

19 January 2017



# ALBA TREES PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 AUGUST 2016

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The directors present their report and financial statements for the year ended 31 August 2016.

#### Directors

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

R Shearer

C M Hyde

D J Mackison

G A Murray

A G Wiseman

(Resigned 23 February 2016)

In accordance with the company's Articles of Association, D J Mackison retires by rotation and, being eligible, seeks re-election.

#### Results and dividends

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

Ordinary dividends paid in the year amounted to £156,187.

These financial statements for the year ended 31 August 2016 are the first financial statements of Alba Trees PLC 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 September 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

#### Supplier payment policy

The company aims to pay all its suppliers within a reasonable period of their invoice being received and in any case within the supplier's own standard payment terms. The company has no formal policy relating to payment of creditors. On average, trade creditors at the year end represented 49 (2015 - 46) days' purchases.

#### Auditor

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

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

# ALBA TREES PLC

## DIRECTORS' REPORT (CONTINUED)

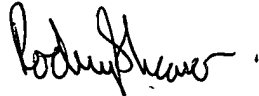
**FOR THE YEAR ENDED 31 AUGUST 2016**

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### Statement of disclosure to auditor

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 auditor is 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 auditor is aware of that information.

On behalf of the board



R Shearer

**Director**

19 January 2017

# **ALBA TREES PLC**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBA TREES PLC**

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We have audited the financial statements of Alba Trees PLC for the year ended 31 August 2016 set out on pages 9 to 27. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 - 6, 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 August 2016 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, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

# ALBA TREES PLC

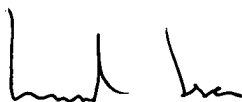
## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ALBA TREES PLC

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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.



**Michael Crerar (Senior Statutory Auditor)**  
for and on behalf of Geoghegans

19 January 2017

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

6 St Colme Street  
Edinburgh  
EH3 6AD

# ALBA TREES PLC

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	2016 £	2015 £
Turnover	3	3,399,128	3,906,992
Cost of sales		(2,351,977)	(2,512,296)
<b>Gross profit</b>		<b>1,047,151</b>	<b>1,394,696</b>
Distribution costs		(575,975)	(609,674)
Administrative expenses		(188,742)	(202,074)
<b>Operating profit</b>	4	<b>282,434</b>	<b>582,948</b>
Interest receivable and similar income	8	3,060	3,688
Interest payable and similar charges	9	(7,551)	(11,369)
<b>Profit before taxation</b>		<b>277,943</b>	<b>575,267</b>
Taxation	10	(63,637)	(125,215)
<b>Profit for the financial year</b>		<b>214,306</b>	<b>450,052</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Profit and total comprehensive income for the year</b>		<b>214,306</b>	<b>450,052</b>

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

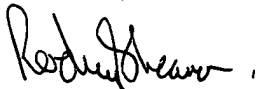
# ALBA TREES PLC

## BALANCE SHEET

AS AT 31 AUGUST 2016

	Notes	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Tangible assets	12		1,188,425		1,198,203
Investments	13		3,324		3,324
			<u>1,191,749</u>		<u>1,201,527</u>
<b>Current assets</b>					
Stocks	15	2,411,870		2,315,230	
Debtors	16	177,329		130,055	
Cash at bank and in hand		671,785		672,633	
		<u>3,260,984</u>		<u>3,117,918</u>	
<b>Creditors: amounts falling due within one year</b>	17	(768,771)		(621,547)	
<b>Net current assets</b>			<u>2,492,213</u>		<u>2,496,371</u>
<b>Total assets less current liabilities</b>			<u>3,683,962</u>		<u>3,697,898</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(43,970)		(130,757)
<b>Deferred taxation</b>	21		(136,223)		(121,491)
<b>Net assets</b>			<u><u>3,503,769</u></u>		<u><u>3,445,650</u></u>
<b>Capital and reserves</b>					
Called up share capital	23		1,735,512		1,735,512
Profit and loss reserves			1,768,257		1,710,138
<b>Equity</b>			<u><u>3,503,769</u></u>		<u><u>3,445,650</u></u>

The financial statements were approved by the board of directors and authorised for issue on 19 January 2017 and are signed on its behalf by:



R Shearer  
Director

Company Registration No. 2188633

# ALBA TREES PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 September 2014</b>		1,735,512	1,431,273	3,166,785
Effect of transition to FRS 102		-	(15,000)	(15,000)
<b>Balance at 1 September 2014</b>		<u>1,735,512</u>	<u>1,416,273</u>	<u>3,151,785</u>
<b>Year ended 31 August 2015:</b>				
Profit and total comprehensive income for the year		-	450,052	450,052
Dividends	11	-	(156,187)	(156,187)
<b>Balance at 31 August 2015</b>		<u>1,735,512</u>	<u>1,710,138</u>	<u>3,445,650</u>
<b>Year ended 31 August 2016:</b>				
Profit and total comprehensive income for the year		-	214,306	214,306
Dividends	11	-	(156,187)	(156,187)
<b>Balance at 31 August 2016</b>		<u><u>1,735,512</u></u>	<u><u>1,768,257</u></u>	<u><u>3,503,769</u></u>

# ALBA TREES PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	£	2016 £	£	2015 £
<b>Cash flows from operating activities</b>					
Cash generated from operations	28		614,027		700,182
Interest received			3,060		3,688
Interest paid			(7,551)		(11,369)
Taxation paid			(64,160)		(173,702)
<b>Net cash inflow from operating activities</b>			<b>545,376</b>		<b>518,799</b>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(246,916)		(354,593)	
Proceeds on disposal of tangible fixed assets		6,716		6,500	
<b>Net cash used in investing activities</b>			<b>(240,200)</b>		<b>(348,093)</b>
<b>Financing activities</b>					
Repayment of bank loans		(129,341)		(125,504)	
Capital element of hire purchase contracts		(20,496)		(20,250)	
Dividends paid		(156,187)		(156,187)	
<b>Cash used in financing activities</b>			<b>(306,024)</b>		<b>(301,941)</b>
<b>Net decrease in cash and cash equivalents</b>			<b>(848)</b>		<b>(131,235)</b>
Cash and cash equivalents at beginning of year			672,633		803,868
<b>Cash and cash equivalents at end of year</b>			<b>671,785</b>		<b>672,633</b>



# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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### 1 Accounting policies

#### Company information

Alba Trees PLC is a company limited by shares incorporated in England and Wales. The registered office is Regent House, 316 Beulah Hill, London, SE19 3HF.

#### 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 under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 August 2016 are the first financial statements of Alba Trees PLC 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 September 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

#### 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 the amount attributable to the sale of plants, associated planting equipment and consultancy services and is stated net of value added tax. An analysis by geographical market is given in Note 3.

#### 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	Nil
Nursery development	3 to 25 years
Plant and office equipment	3 to 10 years
Tree growing containers	3 to 15 years
Motor vehicles	3 to 5 years

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

#### 1.5 Impairment of fixed assets

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

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### 1 Accounting policies (Continued)

#### 1.6 Stocks

Stock is valued at the lower of cost and net realisable value in the ordinary course of business.

The cost of growing stock includes direct materials, direct wages and attributable overheads based on a normal level of activity.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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 creditors falling due within one year.

#### 1.8 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 balance sheet 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.

Debtors with no stated interest rate and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

Creditors with no stated interest rate payable within one year are recognised at transaction price.

All interest bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable. After initial recognition they are measured at amortised cost.

#### 1.9 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 is recognised in respect of all timing differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

---

### 1 Accounting policies

(Continued)

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as an expense in the period in which they are incurred.

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.

#### 1.11 Retirement benefits

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

#### 1.12 Leases and hire purchase contracts

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.

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful life. Obligations under such agreements are included in creditors net of the finance charges allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

#### 1.13 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 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.

# ALBA TREES PLC.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 3 Turnover

#### Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	3,392,495	3,860,660
Other European Union Countries	6,633	46,332
	<u>3,399,128</u>	<u>3,906,992</u>

### 4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	243,543	257,256
Depreciation of tangible fixed assets held under hire purchase contracts	12,707	15,910
Profit on disposal of tangible fixed assets	(6,272)	(6,500)
Operating lease charges	10,250	10,000
	<u>259,228</u>	<u>276,666</u>

### 5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the company's financial statements	8,525	8,400
<b>For other services</b>		
Corporation tax and other services	3,650	3,525
	<u>12,175</u>	<u>11,925</u>

### 6 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2016 Number	2015 Number
Executive directors	2	2
Production and sales	21	24
Administration	1	1
	<u>24</u>	<u>27</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 6 Employees

(Continued)

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	582,672	633,289
Social security costs	49,225	51,834
Pension costs	18,791	19,923
	<u>650,688</u>	<u>705,046</u>

### 7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	137,400	161,859
Company pension contributions to defined contribution schemes	8,820	10,389
Compensation for loss of office	27,000	-
Sums paid to third parties for directors' services	20,000	20,000
	<u>193,220</u>	<u>192,248</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

The executive and non-executive directors are deemed to be the key management personnel.

### 8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	<u>3,060</u>	<u>3,688</u>

### 9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdraft and loans	5,225	8,963
Interest on hire purchase contracts	2,326	2,406
	<u>7,551</u>	<u>11,369</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

### 10 Taxation

	2016 £	2015 £
<b>Current taxation</b>		
UK corporation taxation on profits for the current period	19,240	34,503
Adjustments in respect of prior periods	(80)	-
Payments in respect of consortium relief	29,745	51,755
Total current taxation	<u>48,905</u>	<u>86,258</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	<u>14,732</u>	<u>38,957</u>
Total taxation charge	<u>63,637</u>	<u>125,215</u>

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of taxation as follows:

	2016 £	2015 £
Profit before taxation	<u>277,943</u>	<u>575,267</u>
Expected taxation charge based on the standard rate of corporation taxation in the UK of 20.00% (2015: 20.58%)	55,589	118,390
Taxation effect of expenses that are not deductible in determining taxable profit	628	299
Adjustments in respect of prior years	(80)	-
Effect of change in corporation taxation rate	(576)	-
Depreciation on assets not qualifying for taxation allowances	7,793	7,860
Deferred taxation adjustments in respect of prior years	283	-
Other taxation adjustments	-	(1,334)
Total taxation charge	<u>63,637</u>	<u>125,215</u>

### 11 Dividends

	2016 £	2015 £
Final paid	<u>156,187</u>	<u>156,187</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

### 12 Tangible fixed assets

	Land	Nursery development	Plant and office equipment	Tree growing containers	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 September 2015	22,851	1,116,700	1,025,066	356,250	186,243	2,707,110
Additions	-	215,720	4,775	14,931	11,490	246,916
Disposals	-	-	(28,250)	-	(55,072)	(83,322)
At 31 August 2016	22,851	1,332,420	1,001,591	371,181	142,661	2,870,704
<b>Depreciation</b>						
At 1 September 2015	-	640,929	469,395	252,630	145,953	1,508,907
Charged in the year	-	84,041	105,255	43,555	23,399	256,250
Disposals	-	-	(28,250)	-	(54,628)	(82,878)
At 31 August 2016	-	724,970	546,400	296,185	114,724	1,682,279
<b>Carrying amount</b>						
At 31 August 2016	22,851	607,450	455,191	74,996	27,937	1,188,425
At 31 August 2015	22,851	475,771	555,671	103,620	40,290	1,198,203

The net carrying value of tangible fixed assets includes the following in respect of assets held under hire purchase contracts.

	2016 £	2015 £
Plant and office equipment	45,021	52,536
Depreciation charged in the year in respect of assets held under hire purchase contracts	12,707	15,910

### 13 Fixed asset investments

	2016 £	2015 £
Unlisted investments	3,324	3,324

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 13 Fixed asset investments (Continued)

#### Movements in fixed asset investments

	Unlisted investments £
<b>Cost</b>	
At 1 September 2015 & 31 August 2016	3,324
<b>Carrying amount</b>	
At 1 September 2015 & 31 August 2016	3,324

### 14 Financial instruments

	2016 £	2015 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	87,926	84,162
Equity instruments measured at cost	3,324	3,324
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	791,921	732,439

### 15 Stocks

	2016 £	2015 £
Resale stock	188,868	208,968
Raw materials	148,254	210,978
Own stock	2,074,748	1,895,284
	2,411,870	2,315,230

Stock recognised in cost of sales during the year as an expense was £1,765,109 (2015 - £1,828,098).

### 16 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	87,926	83,206
Amounts due from fellow group undertaking	-	315
Other debtors	79,415	44,663
Prepayments and accrued income	9,988	1,871
	177,329	130,055



# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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

	Notes	2016 £	2015 £
Bank loans	19	65,806	120,000
Obligations under hire purchase contracts	20	14,057	22,913
Trade creditors		516,324	280,761
Parent and ultimate controlling companies		38,383	51,755
Corporation tax		7,740	985
Other taxation and social security		13,080	18,880
Other creditors		16,788	11,084
Accruals and deferred income		96,593	115,169
		<u>768,771</u>	<u>621,547</u>

Bank of Scotland PLC holds a standard security over Lower Winton, Hopefield, Gladsmuir, and bank loans and overdrafts are secured by a debenture over the whole assets of the company.

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

	Notes	2016 £	2015 £
Bank loans	19	34,761	109,908
Obligations under hire purchase contracts	20	9,209	20,849
		<u>43,970</u>	<u>130,757</u>

### 19 Loans

	2016 £	2015 £
Bank loans	<u>100,567</u>	<u>229,908</u>
Payable within one year	65,806	120,000
Payable between one and five years	34,761	109,908
	<u>100,567</u>	<u>229,908</u>

Interest is charged at 2.5% over the Bank of England base rate in respect of the bank loans provided by Bank of Scotland PLC amounting to £100,567 repayable within 2 years.

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 20 Hire purchase contracts

	2016 £	2015 £
Future payments due under hire purchase contracts:		
Within one year	16,383	25,239
Between one and five years	11,041	25,007
	<u>27,424</u>	<u>50,246</u>
Less: future finance charges	(4,158)	(6,484)
	<u>23,266</u>	<u>43,762</u>
<b>Hire purchase contracts capital repayment analysis</b>		
Within one year	14,057	22,913
Between one and five years	9,209	20,849
	<u>23,266</u>	<u>43,762</u>

### 21 Deferred taxation

Deferred taxation liabilities are attributable to the following:

	2016 £	2015 £
<b>Balances:</b>		
Accelerated capital allowances	<u>136,223</u>	<u>121,491</u>
<b>Movements in the year:</b>		2016 £
Balance at 1 September 2015		121,491
Charge to profit and loss account		14,732
Balance at 31 August 2016		<u>136,223</u>

### 22 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Contributions for the year	<u>18,791</u>	<u>19,923</u>

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.

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

### 23 Share capital

	2016 £	2015 £
<b>Ordinary share capital issued and fully paid</b>		
200 'A' Ordinary shares of 50p each	100	100
1,735,412 Ordinary shares of £1 each	1,735,412	1,735,412
	<u>1,735,512</u>	<u>1,735,512</u>

The 'A' ordinary shares confer in total 0.1% of voting rights, dividend rights, and right to the distribution of surplus assets on a winding up of the company, pro rata to their respective holdings of 'A' ordinary shares. The balance of 99.9% of such rights are conferred to the holders of the ordinary shares pro rata to the respective holdings in the ordinary shares.

### 24 Operating lease commitments

#### Lessee

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

	2016 £	2015 £
Within one year	10,500	10,000
Between one and five years	42,000	40,000
In over five years	14,875	24,167
	<u>67,375</u>	<u>74,167</u>

### 25 Related party transactions

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods and services	
	2016 £	2015 £	2016 £	2015 £
Parent and ultimate controlling companies	16,650	660	35,307	51,958
Fellow group undertakings	204,675	211,876	-	-
	<u>221,325</u>	<u>212,536</u>	<u>35,307</u>	<u>51,958</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

### 25 Related party transactions

(Continued)

	Consortium relief	
	2016 £	2015 £
Immediate parent company	29,745	51,755

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2016 £	2015 £
Parent and ultimate controlling companies	38,383	51,755
	<u>38,383</u>	<u>51,755</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2016 £	2015 £
Fellow group undertaking	-	315
	<u>-</u>	<u>315</u>

### 26 Directors' transactions

Dividends totalling £1,797 (2015 - £1,198) were paid in the year in respect of shares held by the company's directors.

### 27 Parent undertaking and ultimate controlling party

The immediate parent undertaking, by way of its 60.3% shareholding in the company, is The Buccleuch Estates Limited, a company registered in Scotland. The ultimate parent undertaking is The MDS Estates Limited, a company registered in England.

The MDS Estates Limited prepares consolidated financial statements in which this company is included. Consolidated financial statements can be obtained from The Estate Office, Weekley, Kettering, Northamptonshire, NN16 9UP.

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 28 Cash generated from operations

	2016 £	2015 £
Profit for the year after taxation	214,306	450,052
<b>Adjustments for:</b>		
Taxation charged	63,637	125,215
Interest paid	7,551	11,369
Interest received	(3,060)	(3,688)
Gain on disposal of tangible fixed assets	(6,272)	(6,500)
Depreciation of tangible fixed assets	256,250	273,166
<b>Movements in working capital:</b>		
(Increase) in stocks	(96,640)	(262,795)
(Increase)/decrease in debtors	(47,274)	153,009
Increase/(decrease) in creditors	225,529	(39,646)
<b>Cash generated from operations</b>	<u>614,027</u>	<u>700,182</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 29 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on equity at the date of transition to FRS 102 and equity at the end of the comparative period UK GAAP are given below.

#### Reconciliation of equity

	Notes	At 1 September 2014			At 31 August 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
<b>Fixed assets</b>							
Tangible assets		1,096,893	-	1,096,893	1,198,203	-	1,198,203
Investments		3,324	-	3,324	3,324	-	3,324
		<u>1,100,217</u>	<u>-</u>	<u>1,100,217</u>	<u>1,201,527</u>	<u>-</u>	<u>1,201,527</u>
<b>Current assets</b>							
Stocks		2,052,435	-	2,052,435	2,315,230	-	2,315,230
Debtors		283,064	-	283,064	130,055	-	130,055
Bank and cash		803,868	-	803,868	672,633	-	672,633
		<u>3,139,367</u>	<u>-</u>	<u>3,139,367</u>	<u>3,117,918</u>	<u>-</u>	<u>3,117,918</u>
<b>Creditors due within one year</b>							
Loans and overdraft		(120,000)	-	(120,000)	(120,000)	-	(120,000)
Hire purchase							
contract obligations		(11,640)	-	(11,640)	(22,913)	-	(22,913)
Taxation		(40,713)	-	(40,713)	(985)	-	(985)
Other creditors	Note a	(550,011)	(15,000)	(565,011)	(462,649)	(15,000)	(477,649)
		<u>(722,364)</u>	<u>(15,000)</u>	<u>(737,364)</u>	<u>(606,547)</u>	<u>(15,000)</u>	<u>(621,547)</u>
Net current assets		<u>2,417,003</u>	<u>(15,000)</u>	<u>2,402,003</u>	<u>2,511,371</u>	<u>(15,000)</u>	<u>2,496,371</u>
Total assets less current liabilities		<u>3,517,220</u>	<u>(15,000)</u>	<u>3,502,220</u>	<u>3,712,898</u>	<u>(15,000)</u>	<u>3,697,898</u>
<b>Creditors due after one year</b>							
Loans and overdraft		(235,412)	-	(235,412)	(109,908)	-	(109,908)
Hire purchase							
contract obligations		(32,489)	-	(32,489)	(20,849)	-	(20,849)
		<u>(267,901)</u>	<u>-</u>	<u>(267,901)</u>	<u>(130,757)</u>	<u>-</u>	<u>(130,757)</u>
<b>Provisions for liabilities</b>							
Deferred tax		(82,534)	-	(82,534)	(121,491)	-	(121,491)
Net assets		<u>3,166,785</u>	<u>(15,000)</u>	<u>3,151,785</u>	<u>3,460,650</u>	<u>(15,000)</u>	<u>3,445,650</u>

# ALBA TREES PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2016

### 29 Reconciliations on adoption of FRS 102

(Continued)

		At 1 September 2014			At 31 August 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
	Notes						
<b>Capital and reserves</b>							
Share capital		1,735,512	-	1,735,512	1,735,512	-	1,735,512
Profit and loss	<b>Note a</b>	1,431,273	(15,000)	1,416,273	1,725,138	(15,000)	1,710,138
Total equity		<u>3,166,785</u>	<u>(15,000)</u>	<u>3,151,785</u>	<u>3,460,650</u>	<u>(15,000)</u>	<u>3,445,650</u>

### Notes to reconciliations on adoption of FRS 102

#### a. Holiday pay accrual

Being FRS 102 transition adjustments to reflect holiday pay accrual.