

DYNAMIC WOODS – SCOTTISH WOOD LTD

(A company limited by shares)

Annual Report & Financial Statements

For the year ended

31 March 2012



Suppliers of quality Scottish home grown timber

"Revitalising the local woodland for the benefit of all"

Company No SC213622

DYNAMIC WOODS – SCOTTISH WOOD LTD

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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DYNAMIC WOODS – SCOTTISH WOOD LTD

DIRECTORS' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report together with the financial statements for the year ended 31 March 2010.

REFERENCE & ADMINISTRATIVE INFORMATION

Company Name Dynamic Woods – Scottish Wood Ltd "Scottish Wood"

Company Number SC213622

Principal Address & Registered Office The Woods, Inzievar, Dunfermline, KY12 8HB

Directors
Stuart Dewar
Ben Geyer
Kenneth Munnoch
Peter Cummins 28th october 2011

Company Secretary Margaret Birley

Bankers Co-operative Bank plc

STRUCTURE, GOVERNANCE & MANAGEMENT

Scottish Wood is a company limited by shares. All shares are owned by Dynamic Woods (charity number SC030663). Directors are appointed by the trustees of Dynamic Woods and meet at least annually. All surplus funds in Scottish Wood, beyond what is required to run the company, are donated to Dynamic Woods.

Risk Management

The company is almost wholly dependant on sales of timber for its income (there is some income from training, however without timber sales there would be no training places). The demand for local timber has been increasing, however this can not be considered a certainty and the following main risks have been identified and steps taken to reduce their detrimental impact on the business: -

- Drop in orders – Scottish Wood has always worked on a positive cash flow and has reserve funds so that there would be time to implement further marketing should there be a drop off in orders. In an extreme case, staff numbers could be reduced.
- Inability to get round timber in quantities, and within certain timescales – we normally carry large stocks of round timber, and we replenish stocks when suitable local timber is available
- Over reliance on key members of staff. Further staff training and the design & implementation of administration systems are helping to spread the knowledge base
- Over reliance on key bits of equipment – backup provision is being built into the main processing elements in the yard.

OBJECTIVES & ACTIVITIES

The company's objectives are

- To promote the sustainable use of Scotland's woodland resources, especially timber processing and the development of timber products and waste wood minimisation.
- To donate surplus funds (and time) to further Dynamic Woods objectives:
Promote the maintenance, conservation, reclamation and management, within and around Fife always for the public benefit, of predominately native flora and fauna by the carrying out of woodland and/or countryside management programmes for environmental, educational and/or training

ACHIEVEMENTS & PERFORMANCE

Scottish Wood has had a difficult year. There was a considerable drop in sales which meant that Scottish Wood was for a while making a loss. A difficult decision was made to go onto short time at with all staff members losing a day. However, orders picked up soon after going onto short time and staff were reinstated to full hours. At the end of the year Scottish Wood broke even

Sales

- Lower than last year £257,449 (last year £287,636)
- The main type of order lost was the large (over £10,000) orders – these were often linked to public works and have been badly hit by the recession.
- The range of customers continues to be large which has helped give stable base to weather the changes in the economic climate.

Staff, Training & Development

- We have continued to develop staff and systems to counteract the risks identified last year:
 - Over reliance on key staff
 - Training for all staff
 - Delegating responsibilities
 - Improved workplace efficiency (maintenance, health and safety, structural improvements)

The knock on effects have been positive, staff feel more like a team, less absences as staff know they are important team members. Systems developed to help remove workload from Jim. Framework developed to help us implement these techniques in different processes in the future.

Planned Expansion

Although Scottish Wood has no desire to grow bigger we recognise that there is a gap in the market that requires a yard that is larger than the micro enterprise level at which most local hardwood sawmills operate. The planned expansion of the yard helps to fill this gap and will also help provide services, training and mentoring to others in the industry. Despite the turndown in sales the planned expansion has continued, so that when the sales increase we are in a stronger position to deal with them.

- Doubling sawing capacity (beginning 2010) – a new saw has been bought to run alongside the existing Wood-Mizer. This saw will help turnaround large orders quickly; enable us to saw timber for others; allow us to train more of our staff and offer external training for people interested in setting up in the industry.
- Standardisation of some products (ongoing). Scottish Wood currently has very few standard product. This has knock on effects from quoting to keeping stock, however being able to sell customised orders is important to us. We are therefore beginning to develop standardised products in some lines (cladding, decking, flooring) while still enabling the customer to go for customised orders if they wish.
- Reviewing systems, work flow and responsibilities (ongoing). See training and development
- Doubling molding capacity – the successful SRDP application will enable us to double our molding capacity. Implemented in 2011.
- Increased kiln capacity – the large kiln is working very successfully, however there is more demand for smaller loads for specific purposes or for more

sensitive timber and therefore it is planned to reinstate some of the smaller kilns over the next two years.

- Increased capacity of staff – extensive training of existing staff to enable them to take on more responsibility and work flexibly.

Support for the Industry

ASHS

This year Scottish Wood retired as the chair of ASHS. During our period as chair we have concentrated on making ASHS more sustainable both in its funding and in how it works.

- Sawmill visits – each ASHS meeting is now open to all members and is being held in a different sawmill each time. This enables all members to learn from each other, share best practice and to feel that they have an active part to play in the organisation. This has proved very successful and is particularly popular with new entrants and has generated a new enthusiasm for tackling some of the issues in the industry.
- A new committee structure including a vice chair has been drawn up that will enable work and projects to flow better when the chair changes. This has encouraged members to stand for positions knowing that they will have better support.
- Involvement of ASHS members in its day to day running to avoid the over reliance on grants from Scottish Enterprise and the Forestry Commission. Members are now taking on
 - Membership secretary
 - Organising shows and events
 - Writing publicity
 - Treasury and reporting

These all used to be carried out by the co-ordinator who was paid for by a grant.

However this grant has been cut by 50% in 2011

- Development of materials and training for farmers that can be run in partnership with the Forestry Commission and bring in income for ASHS members and ASHS itself

Colleges and Schools

- Scottish Wood actively encourages schools and colleges that are involved in designing with timber to come and visit the yard and find out more. Several schools, colleges and groups have visited during the year

Timber grants were also offered to all of West Fife's secondary schools. The offer was taken up by

- Dunfermline High
- Queen Anne
- Woodmill

DYNAMIC WOODS – SCOTTISH WOOD LTD

DIRECTORS' ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2012

SWW (Scottish Working Woods Label)

Scottish Wood continues to provide administrative support for the Scottish Working Woods label.

Raising Awareness/Lobbying for sustainable Forest Practices

Scottish Wood is a key member of the Forest Policy Group, which raises issues about more sustainable forest practices. We met this year with the head of the Forestry

Commission to discuss several issues including

- Larch – planting of new larch is very low while at the same time demand for the timber is growing. There has been feedback at different levels that this message has been filtering down through the Forestry Commission as an issue.
- Obtaining timber in small enough parcels for small and micro enterprises to purchase and highlighting the good work being done by one of the Forest Enterprise divisions in Argyll. There are now to be Niche Marketing Officers in all the Forest Enterprise divisions and ASHS have been asked to feedback information about how these are working.
- Training for farmers, to encourage better use and management of farm woodlands – several training events have now been held

FINANCIAL REVIEW

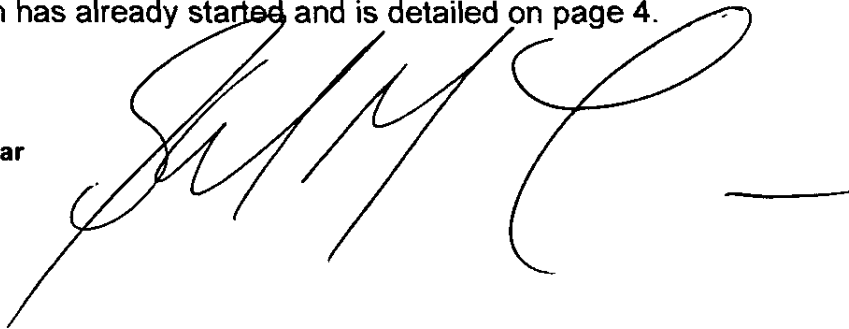
Summary

Net profit for the year before tax and donations was £391 (££28,692 in 2011). No funds (£10,000 in 2011) were donated to Dynamic Woods, leaving a net profit after tax of £312 (£14,766 in 2011). This was kept in Scottish Wood to ensure there are funds to meet the planned expansion of the yard and to cushion any adverse effects from the global economic downturn.

FUTURE PLANS

Scottish Wood plans to continue trading for the foreseeable future. The planned expansion has already started and is detailed on page 4.

Stuart Dewar
Director

A large, stylized handwritten signature in black ink, likely belonging to Stuart Dewar, is written over the text of the 'FUTURE PLANS' section. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

DYNAMIC WOODS – SCOTTISH WOOD LTD

PROFIT & LOSS ACCOUNT

(INCORPORATING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012	2011
INCOME - TRADING			
Sales		257,449	£287,636
training			£3,916
SRDP		2,814	£12,792
Total Trading Income		<u>260,264</u>	<u>£304,343</u>
OPERATING COSTS			
Retail Cost of Sales		13,933	£15,463
Timber & transport		66,988	£69,801
Wages for Production Labour		£128,857	£132,808
		<u>£209,778</u>	<u>£218,072</u>
carriage		6,199	£4,914
Other Operating Costs		24,623	£39,650
Depreciation Expense	4	2,651	£2,712
Annual Investment Allowance		16,728	£10,435
		<u>44,002</u>	<u>£52,797</u>
Total operating costs		<u>259,979</u>	<u>£275,783</u>
OPERATING PROFIT		284	£28,560
OTHER INCOME			
Interest Income		106	£132
Tax free incentives			
insurance payment			£0
Total Other Income		<u>106</u>	<u>£132</u>
OTHER EXPENSES			
Donation to Dynamic Woods	3		£10,000
interest			£1
Total Other Expenses		<u>0</u>	<u>£10,001</u>
PROFIT BEFORE TAX		391	£18,692
TAX ON PROFIT		78	£3,925
NET PROFIT/(LOSS)		312	£14,766
RECONCILIATION OF FUNDS			
Net income for the year		312	£14,766
New Capital			
		<u>312</u>	<u>£14,766</u>
total funds as at 31/03/2011		113,168	£98,402
total funds as at 31/03/2012		<u>113,480</u>	<u>£113,168</u>

The statement of financial activities includes all gains and losses recognised in the year.
The notes on pages 9 to 10 form an integral part of these accounts.

DYNAMIC WOODS – SCOTTISH WOOD LTD

BALANCE SHEET

AS AT 31 MARCH 2012

FIXED ASSETS			
Plant, Machinery, Vehicles	4	12043	15,444
office buiding		16783	16,783
		28826	32,227
CURRENT ASSETS			
Stock		59208	46,650
Trade Debtors		31748	18,862
provision for bad debts		-10569 -	14,060
Cash on Hand		68937	80,655
		149321	132,108
CREDITORS: Amounts Falling due within one year			
Trade Creditors		17005	2,123
Other Creditors			
VAT Due		11411	7,572
PAYE/NIC Due			1,489
Other creditors		7006	1,891
		35423	13,075
NET CURRENT ASSETS/(LIABILITIES)		113899	119,033
TOTAL ASSETS LESS CURRENT LIABILITIES		142725	151,260
CREDITORS: Amounts Falling due after more than one year			
Initial Stock - Jim Birley		27167	27,167
PROVISIONS FOR LIABILITIES			
Company tax		78	3,925
ACRUALS			
bonus	3	2000	7,000
NET ASSETS		113480	113,167
CAPITAL & RESERVES			
Called up share Capital		100	100
Previous Capital investments		54073	54,073
New Capital investments			
Retained Earnings		58995	44,228
Current Year Earnings		312	14,766
Total Capital		113480	113,168

For the year ending 31 March 2012 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

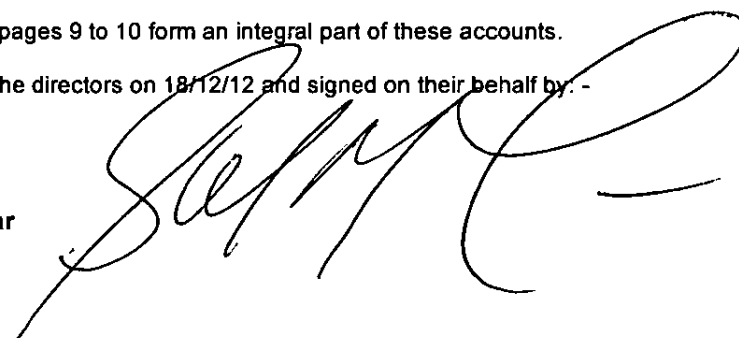
Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476,
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts
- these accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 9 to 10 form an integral part of these accounts.

Approved by the directors on 18/12/12 and signed on their behalf by: -

Stuart Dewar
Director



DYNAMIC WOODS – SCOTTISHWOOD LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

BASIS OF PREPARATION

1.1 Basis of accounting

These accounts have been prepared on the basis of historic cost in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008).

1.2 Changes in the basis of accounting

None

1.3 Changes to previous accounts

None

2 ACCOUNTING POLICIES

2.1 Income

Income is entered into the accounts when invoices are raised, when timber is ready for collection. Deposits taken on orders are recorded as trade debtors until an invoice is raised.

2.2 Expenditure & Liabilities

Expenditure is entered into the accounts when a purchase order is made. Liabilities are recognised as soon as there is a legal or constructive obligation to pay out resources.

Accruals are made for bonuses on wages that correspond to the profit that the business has made during the year.

2.3 Assets

Tangible fixed assets are capitalised if they can be used for more than one year and have a value of more than £500 and can be used for more than one year. They are valued at cost or, if gifted, at their value on receipt.

2.4 Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their useful economic lives.

The rates used are as follows: -

Existing Pool - Plant, Machinery & Equipment - 20% per annum reducing balance.

New equipment - Annual Investment Allowance 100% (up to £50,000p.a)

2.5 Taxation

The company is liable for income or capital gains tax and is registered for VAT.

3 RELATED PARTY TRANSACTIONS

No remuneration was paid to the Directors or any connected persons during the year (2011: £Nil).

No expenses were paid to the Directors or any connected persons during the year (2011: £Nil).

No funds were donated to Dynamic Woods during the year (2011: £10,000).

DYNAMIC WOODS – SCOTTISHWOOD LTD
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2012

4 TANGIBLE FIXED ASSETS

	2012		2011	
TANGIBLE FIXED ASSETS	buildings	plant, machinery & equipment	buildings	plant, machinery & equipment
Cost of Valuation				
Balance as at 31/03/2011	16,783	186,042	16,783	177,907
additions during the year (For AIA)		16,728		10,435
disposals during the year		(750)		(2,300)
Balance as at 31/03/2012	16,783	202,020	16,783	186,042
Accumulated depreciation				
Balance as at 31/03/2011		170,597		157,451
AIA		16,728		10,435
Charge for year		2,651		2,712
Balance as at 31/03/2012		189,976		170,597
Net book value				
as at 31/03/2012	16,783	12,043	16,783	15,445

5 SHARES

The Company has 100 shares valued at £1 each. Dynamic Woods owns all the shares.