

BEATSON'S BUILDING SUPPLIES LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016



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FOR THE YEAR ENDED 31 JULY 2016**

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2016**

The directors present their strategic report for the year ended 31 July 2016.

REVIEW OF BUSINESS

The results for the year and financial position of the company are shown in the annexed financial statements.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

Our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole and are turnover, gross margin, operating profit and return on capital employed.

The company's turnover increased by £1,837,161 to £23,494,811, an increase of 8.5% (2015 4.8%) with gross margin increasing by £1,172,387 to £7,620,280 on a gross profit percentage for the year of 32.4% (2015 29.8%).

Operating profit increased to £1,647,317 from £769,367 in 2015. Return on capital employed has increased to 33.0% (2015 18.5%). Return on capital employed is calculated as profit before interest and tax, divided by capital employed, which constitutes total assets less current liabilities, less investments, less cash, plus overdrafts and other short term borrowings.

In the year to 31 July 2016 the company has delivered strong results on the back of confidence returning to both the Scottish Construction marketplace and increased levels of consumer spending. The company has made significant investment during the year in new plant and equipment. This investment has allowed us to offer a new volumetric concrete service to our existing customer base. The service has also attracted new customers to use the service and purchase building materials from us.

The company has continued its membership of the H&B Buying Group and this continues to support the margin achieved by the company. The company had to make a significant repair to our Penicuik branch yard area this year, which affected the performance of both the Penicuik branch during the repair period and the net profitability of the business. Our trade customers continue to experience difficulties in sourcing tier one finance to expand and develop their businesses. This lack of funding is evident in the level of credit being requested by our customers.

PRINCIPAL RISKS AND UNCERTAINTIES

The main challenge affecting the company is the uncertainty over the economic situation of the country following the recent Brexit vote, coupled with the possibility of a second independence referendum which may affect trading going into Quarter 1 and Quarter 2 of 2017. The effect of Brexit on the value of the pound will we expect lead to significant price rises from our suppliers in 2017, coupled with shortages in some building products which will result in significant price inflation in the industry in 2017. Our membership of one of the largest buying groups for builders merchants will ensure that we are able to obtain supply of products and reduce our exposure to prices rises. Until more and confirmed details of Brexit are announced, the market will remain in a state of uncertainty and we may see consumers holding onto cash rather than investing into their property.

FINANCIAL INSTRUMENTS

The company has adopted the disclosure and presentational requirements of FRS 102. When a financial asset or liability is disclosed initially it is measured at its fair value plus or minus transaction costs. The company regularly monitors its exposure to risks including pricing, credit, liquidity and cash flow.

The company has tightened up controls over collection of trade debtors and has agreed payment terms with its suppliers.

The company is satisfied with the level of cash flow being maintained after taking into consideration the timing aspect of debtor recoverability and the payment of trade creditors and other business expenses.

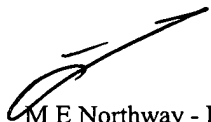
The bank is currently satisfied with the company's financial performance and the directors do not consider there to be any risk of their facilities being withdrawn. The company's deposits are all in place with major UK financial institutions which are regulated by the Financial Conduct Authority.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2016**

FUTURE DEVELOPMENTS

The company intends to continue to focus on its core activities and continue its membership of the H&B Buying Group. The company recognises that despite seeing some confidence returning to the market this year, it is still operating in a challenging sector with uncertainty over the economic situation of the country following the recent Brexit vote.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'M E Northway', written over a horizontal line.

M E Northway - Director

8 March 2017

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2016**

The directors present their report with the financial statements of the company for the year ended 31 July 2016.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the supply of building materials.

DIVIDENDS

Interim dividends totalling £580,000 were paid during the year. The total distribution for the year ended 31 July 2016 will be £580,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 August 2015 to the date of this report.

J Marshall Jnr
M E Northway
J R Marshall
Ms D Crow

STRATEGIC REPORT

The company has chosen in accordance with Section 414C(11) Companies Act 2006 to set out in the company's Strategic Report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report. It has done so in respect of financial instruments and future developments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors, the Strategic Report and the financial statements in accordance with applicable laws 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 the affairs of the company and of the profit and 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;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2016**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'M E Northway', is written over the printed name.

M E Northway - Director

8 March 2017

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BEATSON'S BUILDING SUPPLIES LIMITED

We have audited the financial statements of Beatson's Building Supplies Limited for the year ended 31 July 2016 on pages six to twenty five. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 '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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

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 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

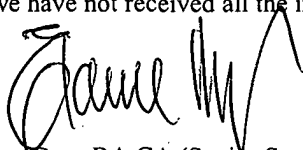
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Elaine Dyer BA CA (Senior Statutory Auditor)
for and on behalf of Martin Aitken & Co Ltd
Statutory Auditor
Chartered Accountants
Caledonia House
89 Seaward Street
Glasgow
G41 1HJ

8 March 2017

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2016**

	Notes	2016 £	2015 £
TURNOVER	2	23,494,811	21,657,650
Cost of sales		(15,874,531)	(15,209,757)
GROSS PROFIT		7,620,280	6,447,893
Administrative expenses		(5,999,594)	(5,699,991)
		1,620,686	747,902
Other operating income	3	26,631	21,465
OPERATING PROFIT	5	1,647,317	769,367
Interest receivable and similar income		303	22
		1,647,620	769,389
Interest payable and similar charges	6	(49,845)	(69,924)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,597,775	699,465
Tax on profit on ordinary activities	7	(340,543)	(184,054)
PROFIT FOR THE FINANCIAL YEAR		1,257,232	515,411

The notes form part of these financial statements

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2016**

	Notes	2016 £	2015 £
PROFIT FOR THE YEAR		1,257,232	515,411
OTHER COMPREHENSIVE INCOME			
Revaluation of heritable property		89,204	-
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		89,204	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,346,436	515,411

BEATSON'S BUILDING SUPPLIES LIMITED (REGISTERED NUMBER: SC044008)

**BALANCE SHEET
31 JULY 2016**

	Notes	2016 £	2015 £
FIXED ASSETS			
Tangible assets	9	4,037,687	3,679,405
CURRENT ASSETS			
Stocks	10	2,033,480	1,924,523
Debtors	11	3,494,660	3,252,811
Cash at bank and in hand		21,145	9,242
		<u>5,549,285</u>	<u>5,186,576</u>
CREDITORS			
Amounts falling due within one year	12	<u>5,166,125</u>	<u>5,285,246</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>383,160</u>	<u>(98,670)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,420,847</u>	<u>3,580,735</u>
CREDITORS			
Amounts falling due after more than one year	13	(1,144,286)	(1,143,112)
PROVISIONS FOR LIABILITIES	17	(135,309)	(60,577)
ACCRUALS AND DEFERRED INCOME	18	(5,944)	(8,174)
NET ASSETS		<u><u>3,135,308</u></u>	<u><u>2,368,872</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	315,000	315,000
Non-distributable reserve	20	606,472	530,211
Retained earnings	20	2,213,836	1,523,661
SHAREHOLDERS' FUNDS		<u><u>3,135,308</u></u>	<u><u>2,368,872</u></u>

The financial statements were approved by the Board of Directors on 8 March 2017 and were signed on its behalf by:



J Marshall Jnr - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016**

	Called up share capital £	Retained earnings £	Non-distributable reserve £	Total equity £
Balance at 1 August 2014	315,000	1,531,807	543,154	2,389,961
Changes in equity				
Dividends	-	(536,500)	-	(536,500)
Total comprehensive income	-	528,354	(12,943)	515,411
Balance at 31 July 2015	<u>315,000</u>	<u>1,523,661</u>	<u>530,211</u>	<u>2,368,872</u>
Changes in equity				
Dividends	-	(580,000)	-	(580,000)
Total comprehensive income	-	1,270,175	76,261	1,346,436
Balance at 31 July 2016	<u>315,000</u>	<u>2,213,836</u>	<u>606,472</u>	<u>3,135,308</u>

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	1,228,401	1,648,736
Interest paid		(23,782)	(42,226)
Interest element of hire purchase and finance lease rental payments paid		(26,063)	(27,698)
Tax paid		(177,274)	(144,875)
Net cash from operating activities		<u>1,001,282</u>	<u>1,433,937</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(193,328)	(630,913)
Sale of tangible fixed assets		225,438	-
Interest received		303	22
Net cash from investing activities		<u>32,413</u>	<u>(630,891)</u>
Cash flows from financing activities			
New loans in year		-	450,000
Loan repayments in year		(345,000)	(540,139)
Capital repayments in year		(161,922)	(115,614)
Amount introduced by directors		111,345	155,206
Amount withdrawn by directors		(23,759)	-
Equity dividends paid		(580,000)	(536,500)
Net cash from financing activities		<u>(999,336)</u>	<u>(587,047)</u>
Increase in cash and cash equivalents		<u>34,359</u>	<u>215,999</u>
Cash and cash equivalents at beginning of year	2	(238,237)	(454,236)
Cash and cash equivalents at end of year	2	<u>(203,878)</u>	<u>(238,237)</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2016**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Profit before taxation	1,597,775	699,465
Depreciation charges	383,511	362,141
(Profit)/loss on disposal of fixed assets	(54,903)	69,587
Increase in other provisions	17,060	-
Government grants	(2,229)	(2,229)
Finance costs	49,845	69,924
Finance income	(303)	(22)
	<u>1,990,756</u>	<u>1,198,866</u>
(Increase)/decrease in stocks	(108,957)	160,695
(Increase)/decrease in trade and other debtors	(253,309)	30,140
(Decrease)/increase in trade and other creditors	(400,089)	259,035
	<u>1,228,401</u>	<u>1,648,736</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 July 2016

	31.7.16 £	1.8.15 £
Cash and cash equivalents	21,145	9,242
Bank overdrafts	(225,023)	(247,479)
	<u>(203,878)</u>	<u>(238,237)</u>

Year ended 31 July 2015

	31.7.15 £	1.8.14 £
Cash and cash equivalents	9,242	10,306
Bank overdrafts	(247,479)	(464,542)
	<u>(238,237)</u>	<u>(454,236)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

Beatson's Building Supplies Limited is a private limited company incorporated in Scotland. The registered office is The Whins, Alloa, FK10 3TA.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

This is the first year in which the financial statements have been prepared under FRS 102. In preparing the financial statements of the company, the directors have considered whether, in applying the accounting policies required by FRS 102, the restatement of comparative items was required. Refer to note 24 for an explanation of the transition and the effect on the financial statements of the company.

The financial statements are presented in Sterling (£).

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Critical accounting 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 amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Turnover

Turnover comprises the invoiced cost of goods sold during the year, excluding value added tax, and net of trade discounts. The company's policy is to recognise a sale when substantively all the risks and rewards in connection with the goods have been passed to the buyer.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Heritable property	- 2% straight line
Leasehold improvements	- straight line over life of lease
Plant and machinery	- 15% on cost
Furniture and fittings	- 15% on cost and straight line over term of lease
Motor vehicles	- 20% on cost and 20% on reducing balance

Plant and equipment are included in the financial statements at cost less depreciation.

At each balance sheet date the directors review the carrying amounts of plant and equipment to determine whether there is any indication that any items have suffered impairment loss and that if any such indication exists, the recoverable amount of an 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 the asset, the directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Land and buildings are carried at their revalued amounts, being fair value at the date of valuation less any subsequent depreciation and impairment losses. Land included within heritable property has not been depreciated. Revaluations are performed by professionally qualified valuers with sufficient regularity to ensure that the carrying amounts do not differ materially from those that would be determined using fair values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase in the carrying amount of land and buildings is recognised in other comprehensive income and included in a revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously expended. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve in equity: decreases exceeding the balance in revaluation reserve relating to an asset are recognised in the profit and loss. Each year the difference between depreciation based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Replacement cost of stock would not be materially different.

Taxation

Current tax is recognised at the amount of tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

With the exception of changes arising on the initial recognition of a business combination, the tax expense is presented either in profit or loss, other comprehensive income or statement of changes in equity depending on the transaction that resulted in the tax expense.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016**

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Rentals receivable under operating leases are credited to the profit and loss account as they accrue.

Pension costs and other post-retirement benefits

The company operates defined contribution pension schemes for the directors and staff of the company. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable for the year are charged in the profit and loss account.

Investment properties

The company holds a property for rental purposes. Investment properties are accounted for as follows:

(i) Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

(ii) Subsequently investment properties whose fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value. The surplus or deficit arising from the changes in the fair value of investment properties are included in the profit and loss account in the period in which they arise. Investment properties whose fair value cannot be measured reliably without undue cost or effort on an on-going basis are included in plant, property and equipment at cost less accumulated depreciation and accumulated impairment losses.

Government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate. Grants of a revenue nature are taken to the profit and loss account in the period in which the expenditure is incurred.

Financial instruments

The company only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Cash and cash equivalents

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

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

1. ACCOUNTING POLICIES - continued

Employee benefits

Short term employee benefits are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2. TURNOVER

The turnover and profit before tax were all derived from the company's principal activity and were wholly undertaken in the United Kingdom.

3. OTHER OPERATING INCOME

	2016	2015
	£	£
Rents received	24,402	19,152
Wayleaves	-	84
Government grants	2,229	2,229
	<u>26,631</u>	<u>21,465</u>

The rents received are in respect of amounts due under operating leases.

4. STAFF COSTS

	2016	2015
	£	£
Wages and salaries	2,768,114	2,571,217
Social security costs	278,458	253,989
Other pension costs	77,652	61,438
	<u>3,124,224</u>	<u>2,886,644</u>

The average monthly number of employees during the year was as follows:

	2016	2015
Production staff	55	51
Administration staff	67	64
	<u>122</u>	<u>115</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016**

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2016	2015
	£	£
Hire of plant and machinery	110,322	135,774
Other operating leases	145,447	148,580
Depreciation - owned assets	246,762	256,962
Depreciation - assets on hire purchase contracts and finance leases	136,749	105,179
(Profit)/loss on disposal of fixed assets	(54,903)	69,587
Auditors' remuneration	24,850	20,450
Auditors' remuneration for non audit work	7,600	7,600
Government grants	(2,229)	(2,229)
	<u>456,439</u>	<u>458,208</u>
Directors' remuneration	10,624	9,904
Directors' pension contributions to money purchase schemes	<u>10,624</u>	<u>9,904</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	4	4
	<u>4</u>	<u>4</u>

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	233,050	232,437
	<u>233,050</u>	<u>232,437</u>

No pension contributions (2015 £nil).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
Interest on bank loans and overdrafts	23,782	38,616
Interest on other loans	-	3,610
Hire purchase interest	19,765	19,792
Finance lease interest	6,298	7,906
	<u>49,845</u>	<u>69,924</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

7. TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	282,715	177,118
Under provision in previous year	156	244
Total current tax	282,871	177,362
Deferred tax	57,672	6,692
Tax on profit on ordinary activities	<u>340,543</u>	<u>184,054</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,597,775</u>	<u>699,465</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.660%)	319,555	144,509
Effects of:		
Capital allowances in excess of depreciation	(39,243)	-
Depreciation in excess of capital allowances	-	24,918
Disallowed expenses of depreciation	2,403	8,752
Under provision in previous year	156	244
Marginal relief	-	(1,061)
Deferred tax movement	57,672	6,692
Total tax charge	<u>340,543</u>	<u>184,054</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2016 Tax £	Net £
Revaluation of heritable property	89,204	-	89,204
	<u>89,204</u>	<u>-</u>	<u>89,204</u>

8. DIVIDENDS

	2016 £	2015 £
Ordinary shares of £1 each		
Interim	<u>580,000</u>	<u>536,500</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

9. TANGIBLE FIXED ASSETS

	Heritable property £	Leasehold improvements £	Investment property £
COST OR VALUATION			
At 1 August 2015	2,061,908	691,763	115,500
Additions	5,014	-	-
Revaluations	(4,414)	-	-
At 31 July 2016	2,062,508	691,763	115,500
DEPRECIATION			
At 1 August 2015	45,965	299,799	-
Charge for year	47,653	34,434	-
Eliminated on disposal	-	-	-
Revaluation adjustments	(93,618)	-	-
At 31 July 2016	-	334,233	-
NET BOOK VALUE			
At 31 July 2016	2,062,508	357,530	115,500
At 31 July 2015	2,015,943	391,964	115,500

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 August 2015	452,755	1,452,425	1,461,664	6,236,015
Additions	144,798	77,112	596,200	823,124
Disposals	(61,500)	(225,292)	(684,183)	(970,975)
Revaluations	-	-	-	(4,414)
At 31 July 2016	536,053	1,304,245	1,373,681	6,083,750
DEPRECIATION				
At 1 August 2015	301,403	1,017,991	891,452	2,556,610
Charge for year	39,482	113,202	148,740	383,511
Eliminated on disposal	(26,386)	(209,442)	(564,612)	(800,440)
Revaluation adjustments	-	-	-	(93,618)
At 31 July 2016	314,499	921,751	475,580	2,046,063
NET BOOK VALUE				
At 31 July 2016	221,554	382,494	898,101	4,037,687
At 31 July 2015	151,352	434,434	570,212	3,679,405

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

9. TANGIBLE FIXED ASSETS - continued

Included in the valuation of heritable property is heritable land of £417,899 (2015 £417,889) which is not depreciated.

A formal revaluation of heritable property was carried out on 21 July 2016 by Graham and Sibbald, Chartered Surveyors on an existing use basis at £2,035,000. If the heritable property was sold at this valuation, no tax charge would arise.

Included in heritable property is property with a fair value of £502,508 which forms security against the bank borrowings used to purchase the property.

The investment properties are held for use under operating leases. The investment properties are valued by the directors at values which represent their opinion of the fair value. If the properties were sold at these values, a tax charge of approximately £4,765 would arise. However, no sales are anticipated in the foreseeable future.

Cost or valuation at 31 July 2016 is represented by:

	Heritable property £	Leasehold improvements £	Investment property £
Valuation in 1997	-	-	10,702
Valuation in 2003	-	-	58,800
Valuation in 2005	-	-	10,500
Valuation in 2006	482,598	-	-
Valuation in 2009	17,208	-	(8,684)
Valuation in 2011	(138,377)	-	-
Valuation in 2014	(213,418)	-	-
Valuation in 2016	(4,414)	-	-
Cost	1,918,911	691,763	44,182
	<u>2,062,508</u>	<u>691,763</u>	<u>115,500</u>

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
Valuation in 1997	-	-	-	10,702
Valuation in 2003	-	-	-	58,800
Valuation in 2005	-	-	-	10,500
Valuation in 2006	-	-	-	482,598
Valuation in 2009	-	-	-	8,524
Valuation in 2011	-	-	-	(138,377)
Valuation in 2014	-	-	-	(213,418)
Valuation in 2016	-	-	-	(4,414)
Cost	536,053	1,304,245	1,373,681	5,868,835
	<u>536,053</u>	<u>1,304,245</u>	<u>1,373,681</u>	<u>6,083,750</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

9. TANGIBLE FIXED ASSETS - continued

If heritable properties had not been revalued they would have been included at the following historical cost:

	2016 £	2015 £
Cost	<u>1,918,911</u>	<u>1,913,897</u>
Aggregate depreciation	<u>411,123</u>	<u>375,481</u>

Fixed assets, included in the above, which are held under hire purchase contracts and finance leases are as follows:

	Plant and machinery £	Furniture and fittings £	Motor vehicles £	Totals £
COST OR VALUATION				
At 1 August 2015	153,750	74,574	436,614	664,938
Additions	97,000	4,886	586,900	688,786
Disposals	(61,500)	-	-	(61,500)
At 31 July 2016	<u>189,250</u>	<u>79,460</u>	<u>1,023,514</u>	<u>1,292,224</u>
DEPRECIATION				
At 1 August 2015	48,400	25,391	152,896	226,687
Charge for year	24,331	11,736	100,682	136,749
Eliminated on disposal	(26,386)	-	-	(26,386)
At 31 July 2016	<u>46,345</u>	<u>37,127</u>	<u>253,578</u>	<u>337,050</u>
NET BOOK VALUE				
At 31 July 2016	<u>142,905</u>	<u>42,333</u>	<u>769,936</u>	<u>955,174</u>
At 31 July 2015	<u>105,350</u>	<u>49,183</u>	<u>283,718</u>	<u>438,251</u>

10. STOCKS

	2016 £	2015 £
Goods for resale	<u>2,033,480</u>	<u>1,924,523</u>

Stock recognised in cost of sales during the year as an expense was £15,874,531 (2015 £15,209,757).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	2,729,445	2,660,159
Other debtors	639,267	445,516
Directors' current accounts	-	11,460
Prepayments and accrued income	125,948	135,676
	<u>3,494,660</u>	<u>3,252,811</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Bank loans and overdrafts (see note 14)	570,023	592,479
Hire purchase contracts and finance leases (see note 15)	245,339	123,639
Trade creditors	3,412,385	3,840,070
Corporation tax payable	282,715	177,118
Social security and other taxes	74,845	82,634
VAT	227,856	288,179
Other creditors	39,100	53,514
Directors' current accounts	102,371	26,245
Accruals and deferred income	211,491	101,368
	<u>5,166,125</u>	<u>5,285,246</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £	2015 £
Bank loans (see note 14)	551,250	896,250
Hire purchase contracts and finance leases (see note 15)	593,036	246,862
	<u>1,144,286</u>	<u>1,143,112</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year or on demand:		
Bank overdrafts	225,023	247,479
Bank loans	345,000	345,000
	<u>570,023</u>	<u>592,479</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>345,000</u>	<u>345,000</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>206,250</u>	<u>551,250</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

15. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts		Finance leases	
	2016	2015	2016	2015
	£	£	£	£
Gross obligations repayable:				
Within one year	250,617	118,578	25,980	24,733
Between one and five years	595,604	208,974	35,282	55,649
	<u>846,221</u>	<u>327,552</u>	<u>61,262</u>	<u>80,382</u>
Finance charges repayable:				
Within one year	26,958	13,806	4,300	5,866
Between one and five years	35,182	12,023	2,668	5,738
	<u>62,140</u>	<u>25,829</u>	<u>6,968</u>	<u>11,604</u>
Net obligations repayable:				
Within one year	223,659	104,772	21,680	18,867
Between one and five years	560,422	196,951	32,614	49,911
	<u>784,081</u>	<u>301,723</u>	<u>54,294</u>	<u>68,778</u>

	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	20,960	8,085
Between one and five years	1,401,953	174,372
In more than five years	1,508,790	1,652,737
	<u>2,931,703</u>	<u>1,835,194</u>

Minimum lease payments receivable as follows:-

	Non-cancellable operating leases	
	2016	2015
	£	£
In more than five years	<u>36,750</u>	<u>43,152</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

16. SECURED DEBTS

The following secured debts are included within creditors:

	2016 £	2015 £
Bank overdrafts	225,023	247,479
Bank loans	896,250	1,241,250
Hire purchase contracts and finance leases	838,375	370,501
	<u>1,959,648</u>	<u>1,859,230</u>

The bank borrowings are secured by a bond and floating charge over all of the company's assets and a standard security over the property concerned.

Finance lease and hire purchase obligations are secured over the assets to which the contracts relate.

17. PROVISIONS FOR LIABILITIES

	2016 £	2015 £
Deferred tax		
Accelerated capital allowances	113,484	55,477
Revalued property	4,765	5,100
	<u>118,249</u>	<u>60,577</u>
Other provisions	<u>17,060</u>	<u>-</u>
Aggregate amounts	<u>135,309</u>	<u>60,577</u>

	Deferred tax £
Balance at 1 August 2015	60,577
Accelerated capital allowances	58,007
Revalued property	(335)
Balance at 31 July 2016	<u>118,249</u>

The other provision is in respect of a settlement made post year end.

18. ACCRUALS AND DEFERRED INCOME

	2016 £	2015 £
Deferred government grants	<u>5,944</u>	<u>8,174</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
315,000	Ordinary	£1	<u>315,000</u>	<u>315,000</u>

The Ordinary shares have full voting rights.

20. RESERVES

	Retained earnings £	Non-distributable reserve £	Totals £
At 1 August 2015	1,523,661	530,211	2,053,872
Profit for the year	1,257,232		1,257,232
Dividends	(580,000)		(580,000)
Revaluation of fixed assets	-	89,204	89,204
Transfer from revaluation reserve	12,943	(12,943)	-
At 31 July 2016	<u>2,213,836</u>	<u>606,472</u>	<u>2,820,308</u>

The non-distributable reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

21. PENSION COMMITMENTS

The company operates defined contribution pension schemes for the directors and staff of the company. The assets of the schemes are held separately from those of the company in independently administered funds. At the balance sheet date, all contributions were paid up to date. The pension cost for the year is £77,652 (2015 £61,438).

22. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to a director subsisted during the years ended 31 July 2016 and 31 July 2015:

	2016 £	2015 £
J Marshall Jnr		
Balance outstanding at start of year	11,460	151,334
Amounts advanced	535,147	433,626
Amounts repaid	(616,113)	(573,500)
Balance outstanding at end of year	<u>(69,506)</u>	<u>11,460</u>

The advances were made free of interest and without any payment terms affixed.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2016**

23. RELATED PARTY DISCLOSURES

J Marshall Jnr, who is a director of the company, is the beneficial owner of 100% of the issued share capital of the company and he is the controlling party.

J Marshall Jnr received £580,000 (2015 £536,500) in dividends during the year.

At the balance sheet date the company owed J R Marshall, a director, £32,865 (2015 £26,245). The amount due is interest free and has no fixed terms of repayment.

At the balance sheet date the company owed J Marshall Snr, J Marshall Jnr's father, £200 (2015 £50,628). The amount is interest free and has no fixed terms of repayment.

During the year the company received advances from BBS Pension Fund totalling £350,000 (2015 £200,00). At 31 July 2016 £nil (2015 £nil) is due in respect of loans received from the fund. Interest charged during the year on loans from the pension scheme amounted to £nil (2015 £3,610).

During the year services of £310,148 (2015 £264,766) were provided by an entity under the control of one of the directors.

Key management personnel consist of the directors. See note 5 for disclosure of directors' remuneration.

24. FIRST YEAR ADOPTION

As required in Section 35 of FRS 102, the balances previously reported under the old UK GAAP at the date of transition, 1 August 2014, and the prior year end, 31 July 2015 need to be restated for the changes which have occurred on transition to FRS 102.

The balance of the investment revaluation reserve and revaluation reserve have been reclassified as non-distributable reserves.

Deferred tax has been recognised on revalued property held within the company.

No further restatement of the Profit and Loss Account, Other Comprehensive Income or Balance Sheet and no further changes to accounting policies have been required on transition.

In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided:

Reconciliation of funds and balances	1 Aug 2015 £	1 Aug 2014 £
Retained earnings as previously stated	1,528,761	1,537,352
Deferred tax on revalued investment property	(5,100)	(5,545)
Deferred tax on revalued heritable property	(nil)	(nil)
Non-distributable reserves, as restated	<u>1,523,661</u>	<u>1,531,807</u>