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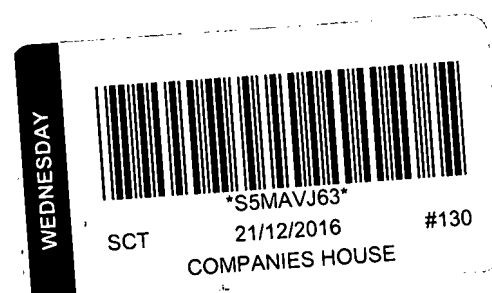
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**SCOT FRAME TIMBER ENGINEERING
LIMITED**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2016

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SCOT FRAME TIMBER ENGINEERING LIMITED



COMPANY INFORMATION

Directors

R T Edwards
M G Cruickshank (resigned 21 November 2016)
A K Milne
D B Barron
M Simpson
A Cruickshank
C Irwin

Company secretary

W Johnstone

Registered number

SC118213

Registered office

Inverurie Business Park
Souterford Avenue
Inverurie
Aberdeenshire
AB51 0ZJ

Independent auditors

Anderson Anderson & Brown LLP
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2016**



Introduction

The Company is involved in the manufacturing of timber frames for the construction industry and self build market.

Business review

A good start to the financial year helped increase turnover to £35,717,215 (2015 - £34,741,457) an increase of 2.81%.

The investment in developing our closed panel system has resulted in this income stream accounting for 61% of turnover (2015 - 55%).

The profit for the year, before tax was £2,041,926 (2015 - £2,264,476) a decrease of £222,550.

The market uncertainty with the Brexit vote combined with the downturn in the oil industry in the North East has contributed to a lower order book. Turnover for 2016/17 will be behind the level enjoyed in the last couple of years.

Principal risks and uncertainties

The main threats to our business are continuity of raw material supply, material price increases and bad debts.

Importing our own timber has helped secure continuity of supply of our main product and has given us more control over price. We are now carrying much higher stock levels but are in the fortunate position of having the funds to finance this. Since the vote to leave Europe, the effect of the weakening pound and the demand for timber, we anticipate a 10% rise in raw material costs to take effect in quarter 4.

We have credit insurance in place for most of our major customers which gives a degree of protection against bad debt.

There are signs that, in certain areas, house prices have reached a high and with interest rates likely to rise in the coming year there is a worry that this may have a negative effect on the market. However, there is a huge demand for new houses, especially in the social housing sector where it is estimated there is a waiting list for 1.4 million homes with another 240,000 homes required each year to meet the needs of the growing population. The Scottish Government has pledged to build 50,000 affordable homes over the next 5 years.

This report was approved by the board and signed on its behalf.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 APRIL 2016



Financial key performance indicators

The following figures and ratios are monitored as key performance indicators by the directors:

The profit % figures were:

	2016	2015
Gross profit	20.0%	20.3%
Net profit before tax	5.7%	6.5%

Average employees in the year were 176 (2015 - 173) and turnover per employee was £203,000 (2015 - £201,000). Pre-tax profit per employee was £11,602 (2015 - £13,089).

Investment in Capital expenditure in the year totalled £197,941 (2015 - £617,808)

We continue to operate with no bank debt and a positive cash flow resulted in an increase in cash over the year of £505,812.

This report was approved by the board and signed on its behalf.

R T Edwards
Director

Date: 14 Dec 2016

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2016**

The directors present their report and the financial statements for the year ended 30 April 2016.

Results and dividends

The profit for the year, after taxation, amounted to £1,719,623 (2015 - £1,779,999).

The total distribution of dividends for the year was £700,000 (2015 - £660,000).

Directors

The directors who served during the year were:

R T Edwards
M G Cruickshank (resigned 21 November 2016)
A K Milne
D B Barron
M Simpson
A Cruickshank
C Irwin

Future developments

We continue with a program of research and development of our closed panel systems and further efficiencies in the thermal efficiency of our kits in line with global requirements to produce energy efficient buildings, reduce fuel poverty and reduce greenhouse gas emissions.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



R T Edwards
Director

Date: 14 Dec 2016

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2016**

The directors are responsible for preparing the Strategic report, the Directors' 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 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'. 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 for the Company financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

We have audited the financial statements of Scot Frame Timber Engineering Limited for the year ended 30 April 2016, set out on pages 7 to 27. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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 an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement, 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 Financial Reporting Council'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 Strategic report and the Directors' 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 30 April 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

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.

Anderson Anderson & Brown LLP

James Pirrie (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown LLP

Statutory Auditor

Kingshill View
Prime Four Business Park
Kingswells
Aberdeen

AB15 8PU

Date: *15th December 2016*

SCOT FRAME TIMBER ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2016



	Note	2016 £	2015 £
Turnover	4	35,717,215	34,741,457
Cost of sales		(28,574,335)	(27,704,635)
Gross profit		<u>7,142,880</u>	<u>7,036,822</u>
Administrative expenses		(5,155,262)	(4,857,663)
Other operating income	5	<u>102,000</u>	<u>99,833</u>
Operating profit	6	<u>2,089,618</u>	<u>2,278,992</u>
Interest receivable and similar income	10	28,630	14,450
Interest payable and expenses	11	<u>(76,322)</u>	<u>(28,966)</u>
Profit before tax		<u>2,041,926</u>	<u>2,264,476</u>
Tax on profit	12	<u>(322,303)</u>	<u>(484,477)</u>
Profit for the year		<u><u>1,719,623</u></u>	<u><u>1,779,999</u></u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

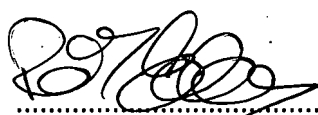
There was no other comprehensive income for 2016 (2015 - £NIL).

The notes on pages 10 to 27 form part of these financial statements.

**BALANCE SHEET
AS AT 30 APRIL 2016**

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	14	5,292	6,174
Tangible assets	15	2,309,152	2,418,389
Investments	16	45	45
		<u>2,314,489</u>	<u>2,424,608</u>
Current assets			
Stocks	17	2,763,599	1,789,076
Debtors: amounts falling due within one year	18	9,226,207	9,319,551
Cash at bank and in hand	19	5,751,652	5,245,840
		<u>17,741,458</u>	<u>16,354,467</u>
Creditors: amounts falling due within one year	20	<u>(9,891,489)</u>	<u>(9,468,498)</u>
Net current assets		<u>7,849,969</u>	<u>6,885,969</u>
Total assets less current liabilities		<u>10,164,458</u>	<u>9,310,577</u>
Provisions for liabilities			
Deferred tax	23	<u>(49,887)</u>	<u>(215,629)</u>
		<u>(49,887)</u>	<u>(215,629)</u>
Net assets		<u><u>10,114,571</u></u>	<u><u>9,094,948</u></u>
Capital and reserves			
Called up share capital	24	20,000	20,000
Capital redemption reserve		30,000	30,000
Profit and loss account		<u>10,064,571</u>	<u>9,044,948</u>
		<u><u>10,114,571</u></u>	<u><u>9,094,948</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
R T Edwards
Director

Date: 14 Dec 2016

The notes on pages 10 to 27 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2016**

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 May 2015	20,000	30,000	9,044,948	9,094,948
Comprehensive income for the year				
Profit for the year	-	-	1,719,623	1,719,623
Total comprehensive income for the year	-	-	1,719,623	1,719,623
Dividends: Equity capital	-	-	(700,000)	(700,000)
Total transactions with owners	-	-	(700,000)	(700,000)
At 30 April 2016	<u>20,000</u>	<u>30,000</u>	<u>10,064,571</u>	<u>10,114,571</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2015**

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 May 2014	20,000	30,000	7,924,949	7,974,949
Comprehensive income for the year				
Profit for the year	-	-	1,779,999	1,779,999
Total comprehensive income for the year	-	-	1,779,999	1,779,999
Dividends: Equity capital	-	-	(660,000)	(660,000)
Total transactions with owners	-	-	(660,000)	(660,000)
At 30 April 2015	<u>20,000</u>	<u>30,000</u>	<u>9,044,948</u>	<u>9,094,948</u>

The notes on pages 10 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016



1. General information

Scot Frame Timber Engineering Limited ('the Company') is engaged in the manufacturing of timber frames for the construction industry.

The Company is a private company limited by shares and incorporated in Scotland. The address of its registered office is Inverurie Business Park, Souterford Avenue, Inverurie, Aberdeenshire, AB51 0ZJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Scotframe Limited as at 30 April 2016 and these financial statements may be obtained from Companies House.

2.3 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.4 Going concern

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the Company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**2. Accounting policies (continued)****2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Patents	-	10	years
Goodwill	-	5	years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**



2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided on the following basis, or if held under a finance lease, over the lease term, whichever is shorter:

Improvements to property	- 2% reducing balance
Plant and machinery	- 10% to 20% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 20% on cost and 15% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.8 Operating leases: Lessee

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

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**



2. Accounting policies (continued)

2.12 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016



2. Accounting policies (continued)

2.13 Creditors

Short term 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.

2.14 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Pensions

Defined contribution pension plan

The Company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**



2. Accounting policies (continued)

2.19 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective country in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax authorities and differing interpretations of tax regulations by the Company and the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Goodwill and intangible assets

The Company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Operating lease commitments

The Company has entered into commercial property leases and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

4. Analysis of turnover

The whole of the turnover is attributable to the manufacturing of timber frames for the construction industry.

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	34,929,125	34,240,130
Rest of the world	788,090	501,327
	<u>35,717,215</u>	<u>34,741,457</u>

5. Other operating income

	2016 £	2015 £
Rent receivable	102,000	99,833
	<u>102,000</u>	<u>99,833</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation - owned assets	307,178	218,285
Depreciation - assets on hire purchase contracts	48,984	54,427
Amortisation of intangible assets, including goodwill	882	25,325
Loss on sale of tangible assets	-	4,008
Other operating lease rentals	92,882	100,846
Operating leases - land and buildings	646,841	649,077
Defined contribution pension cost	151,977	104,987
	<u></u>	<u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

**7. Auditors' remuneration**

	2016 £	2015 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	20,000	19,500
	<u>20,000</u>	<u>19,500</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit of parent and Group	4,500	2,450
Other services relating to taxation	4,800	4,375
	<u>9,300</u>	<u>6,825</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	6,318,343	5,952,047
Social security costs	701,204	619,666
Cost of defined contribution scheme	151,977	104,987
	<u>7,171,524</u>	<u>6,676,700</u>

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

	2016 No.	2015 No.
Sales and administration	33	32
Production	143	141
	<u>176</u>	<u>173</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

**9. Directors' remuneration**

	2016 £	2015 £
Directors' emoluments	732,178	771,691
Company contributions to defined contribution pension schemes	60,968	18,199
	<u>793,146</u>	<u>789,890</u>

During the year retirement benefits were accruing to 6 directors (2015 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,425 (2015 - £147,247). They also received benefits in kind with a total value of £51,289 (2015 - £44,043).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £NIL).

The total accrued pension provision of the highest paid director at 30 April 2016 amounted to £NIL (2015 - £NIL).

In addition to the emoluments above, the directors also received benefits in kind with a total value of £116,550 (2015 - £113,133).

10. Interest receivable

	2016 £	2015 £
Other interest receivable	28,630	14,450
	<u>28,630</u>	<u>14,450</u>

11. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	2	1
Other loan interest payable	24,000	24,000
Finance leases and hire purchase contracts	194	4,965
Other interest payable	52,126	-
	<u>76,322</u>	<u>28,966</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

12. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	511,193	403,863
Adjustments in respect of previous periods	(23,148)	2,355
Total current tax	<u>488,045</u>	<u>406,218</u>
Deferred tax		
Origination and reversal of timing differences	(83,717)	78,259
Effect of tax rate change on opening balance	(21,674)	-
Adjustments in respect of prior periods	(60,351)	-
Total deferred tax	<u>(165,742)</u>	<u>78,259</u>
Taxation on profit on ordinary activities	<u><u>322,303</u></u>	<u><u>484,477</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>2,041,926</u>	<u>2,264,476</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	408,385	475,540
Effects of:		
Expenses not deductible for tax purposes	9,945	6,085
Fixed asset differences	14,180	-
Adjustments to tax charge in respect of prior periods	(83,499)	2,355
Additional deduction for research and development expenditure	(14,336)	-
Adjustments to brought forward values	(12,372)	-
Other differences leading to an increase (decrease) in the tax charge	-	497
Total tax charge for the year	<u><u>322,303</u></u>	<u><u>484,477</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

13. Dividends

	2016 £	2015 £
Dividends	700,000	660,000
	<u>700,000</u>	<u>660,000</u>

14. Intangible assets

	Patents £	Goodwill £	Total £
Cost			
At 1 May 2015	8,820	155,000	163,820
At 30 April 2016	<u>8,820</u>	<u>155,000</u>	<u>163,820</u>
Amortisation			
At 1 May 2015	2,646	155,000	157,646
Charge for the year	882	-	882
At 30 April 2016	<u>3,528</u>	<u>155,000</u>	<u>158,528</u>
Net book value			
At 30 April 2016	<u>5,292</u>	<u>-</u>	<u>5,292</u>
At 30 April 2015	<u>6,174</u>	<u>-</u>	<u>6,174</u>

SCOT FRAME TIMBER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016



15. Tangible fixed assets

	Land £	Improvements to property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 May 2015	88,000	982,243	3,085,805	111,538	701,311	4,968,897
Additions	-	100,921	55,726	-	41,294	197,941
At 30 April 2016	88,000	1,083,164	3,141,531	111,538	742,605	5,166,838
Depreciation						
At 1 May 2015	-	275,251	1,663,704	23,634	587,919	2,550,508
Charge owned for the period	-	96,547	114,253	21,976	25,418	258,194
Charge financed for the period	-	-	48,984	-	-	48,984
At 30 April 2016	-	371,798	1,826,941	45,610	613,337	2,857,686
Net book value						
At 30 April 2016	88,000	711,366	1,314,590	65,928	129,268	2,309,152
At 30 April 2015	88,000	706,992	1,422,101	87,904	113,392	2,418,389

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Plant and machinery	-	489,841

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

16. Fixed asset investments

	Investments in associates £
Cost or valuation	
At 1 May 2015	45
At 30 April 2016	45
Net book value	
At 30 April 2016	45
At 30 April 2015	45
Participating interests	

Associates

Name	Country of incorporation	Class of shares	Holding	Principal activity
Val-U-Therm Limited	United Kingdom	Ordinary A	45%	Construction

17. Stocks

	2016 £	2015 £
Raw materials and consumables	2,763,599	1,789,076
	2,763,599	1,789,076

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**18. Debtors**

	2016 £	2015 £
Trade debtors	4,999,969	5,867,227
Amounts owed by group undertakings	1,946	1,946
Other debtors	3,756,217	3,001,381
Prepayments and accrued income	468,075	448,997
	<u>9,226,207</u>	<u>9,319,551</u>

19. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	5,751,652	5,245,840
	<u>5,751,652</u>	<u>5,245,840</u>

20. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	4,080,796	3,863,456
Corporation tax	106,908	79,863
Taxation and social security	440,839	703,935
Obligations under finance lease and hire purchase contracts	-	26,428
Other creditors	2,680,847	2,741,514
Accruals and deferred income	2,582,099	2,053,302
	<u>9,891,489</u>	<u>9,468,498</u>

The bank holds a bond and floating charge over the whole assets of the Company. Obligations under finance lease and hire purchase contracts are secured against the asset to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**21. Hire purchase & finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	-	26,428
	-	26,428

22. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	5,751,652	5,245,840
Financial assets that are debt instruments measured at amortised cost	8,758,132	8,870,554
	<u>14,509,784</u>	<u>14,116,394</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(9,343,742)	(8,658,272)
	<u>(9,343,742)</u>	<u>(8,658,272)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

SCOT FRAME TIMBER ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**



23. Deferred taxation

	Deferred tax £
At 1 May 2015	215,629
Charged to the profit or loss	(165,742)
At 30 April 2016	49,887

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	180,478	215,651
Short term timing differences	(130,591)	(22)
	49,887	215,629

24. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
20,000 Ordinary shares of £1 each	20,000	20,000

25. Capital commitments

At 30 April 2016 the Company had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	155,978	-
	155,978	-

26. Pension commitments

The Company contributes to a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £151,977 (2015 - £104,987). Contributions totalling £15,553 (2015 - £35,165) were payable to the fund at the Balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

27. Commitments under operating leases

At 30 April 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Land and buildings		
Not later than 1 year	645,800	645,800
Later than 1 year and not later than 5 years	2,459,200	2,459,200
	<u>3,105,000</u>	<u>3,105,000</u>
	2016 £	2015 £
Other operating leases		
Not later than 1 year	162,410	122,639
Later than 1 year and not later than 5 years	407,200	105,954
Later than 5 years	126,996	-
	<u>696,606</u>	<u>228,593</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

**28. Related party transactions****Control**

Throughout the year the Company was controlled by the directors.

Transactions

During the year the Company entered into the following related party transactions.

Related Party	Transaction	£	Balance at the year end £
Mcdee 6 Limited, a company in which RT Edwards children are directors	Rent	275,000	-
Meldrum House Estates Limited, a company in which RT Edwards is a director	Sales	4,068	
	Purchases	(5,590)	
	Loan movement	577,500	3,181,827
James Hay Pension Trust, a pension fund of a director	Rent	155,000	-
Val-u-Therm Limited, a company in which R T Edwards and M Simpson are directors	Sales	4,376	
	Purchases	500,200	135,488
RT Edwards, director	Rent	135,000	
	Interest	52,126	
	Loan Movement	(288,384)	(605,380)
EFRBS, a loan to a director's pension scheme	Loan movement	-	(800,000)

29. Ultimate controlling party

The ultimate controlling party is R T Edwards.

30. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.