

DYNAMIC WOODS – SCOTTISH WOOD LTD

(A company limited by shares)

Annual Report & Financial Statements

For the year ended

31 March 2011

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 2011

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DYNAMIC WOODS – SCOTTISH WOOD LTD

DIRECTORS' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2011

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

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 on a regular basis. 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

**DIRECTORS' ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

ACHIEVEMENTS & PERFORMANCE

Scottish Wood has had varying degrees of success this year. Sales was similar to last year however the trading climate is very volatile and there have been some knock on effects on the business.

Sales

- Similar to last year £287,636 (last year £285,921)
- One of our large and regular customers, JKF went into administration owing us £7061.25 + VAT the administrators have given the impression that some of this may be paid. Another company went into administration owing £2908.68 + VAT on a custom made order, however we still have the timber and hope that we may be able to sell this to the new project managers.
- The prolonged bad weather meant that we had to shut the yard for an extra 2 weeks and could only have limited operations for a further period. It has also had a knock on effect on custom, as many businesses were adversely affected
- Larch sales increased 43% this year (2010 dropped by 36%) However Larch is getting very difficult to source, especially in larger sized logs
- Hardwood sales decreased 13% (2010 increased by 46%)
- The range of customers continues to be large and gives us a stable base to weather the changes in the economic climate.

Staff, Training & Development

- We took on two further trainees who have been very successful. This means that for one of the first times slightly over staffed and therefore able to come with absences and short turn arounds of timber
- Scottish Enterprise came to have a look at our yard to see if micro enterprises could benefit from LEAN manufacturing techniques pioneered by Toyota. This was a learning experience for both sides and has identified some areas where we can work on to improve our efficiency and sustainability. Key areas looked at
 - 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. 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.

- Doubling sawing capacity (beginning 2010) – a new saw has been bought to run alongside the existing woodmizer. This saw will help turnaround large orders quickly; enable us to saw timber for others, and 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 Scottish Enterprise section above.
- Doubling moulding capacity – the successful SRDP application will enable us to double our moulding capacity. This is planned for 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 staff – new staff will need to be taken on in order to meet the increased capacity of the yard.

Support for the Industry

ASHS

This year Scottish Wood was the chair of ASHS again. This is the final year for a two year period and the aim is that over these two years we work 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 SE and FC. 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 coordinator who was paid for by a grant.

However this grant has been cut by 50%

- 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. This year the following groups came:

- Queen Anne High School
- Dunfermline High School
- Falkirk College
- Adam Smith College
- Carnegie College
- Estonian & Latvian buy local study tour.

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 2011

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 Argyle. 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.

Community involvement

Scottish Wood has given £10,000 to Dynamic Woods for its work with the local community. Scottish Wood also donates staff and office time and space to Dynamic woods. This year this has enabled Dynamic Woods to

- Support a local Forest Education initiative
- Support the setting up and running of a Scottish Wild Harvest Group for micro enterprises working with non timber forest products.
- Help resource the Forestry Policy Group's work in promoting a holistic and sustainable future for Scotland's woodlands
- Run events in Inzievar Wood where we are based

FINANCIAL REVIEW

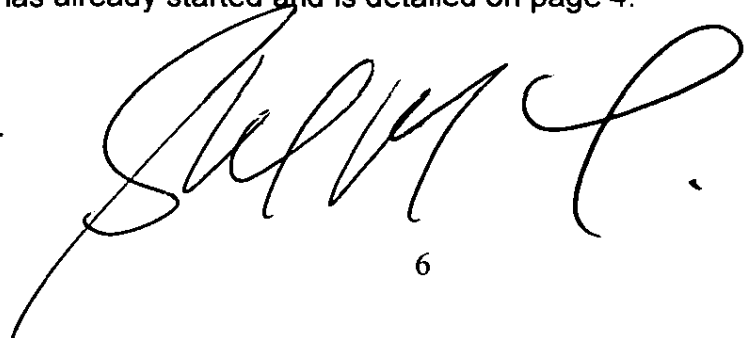
Summary

Net profit for the year before tax and donations was £28,692 (£20,000 in 2010). £10,000 (£10,000 in 2010) was donated to Dynamic Woods, leaving a net profit after tax of £14,766 (£7,916 in 2010). 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**



DYNAMIC WOODS – SCOTTISH WOOD LTD

PROFIT & LOSS ACCOUNT

(INCORPORATING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2011

	Note	£2,011	£2,010
INCOME - TRADING			
Sales		£287,636	£285,921
training		£3,916	£0
SRDP		£12,792	£0
Total Trading Income		<u>£304,343</u>	<u>£285,921</u>
OPERATING COSTS			
Retail Cost of Sales		£15,463	£14,816
Timber & transport		£69,801	£56,119
Wages for Production Labour		£132,808	£115,403
		<u>£218,072</u>	<u>£186,337</u>
carriage		£4,914	£4,380
Other Operating Costs		£39,650	£24,937
Depreciation Expense	4	£2,712	£4,354
Annual Investment Allowance		£10,435	£46,095
		<u>£52,797</u>	<u>£75,386</u>
Total operating costs		<u>£275,783</u>	<u>£266,104</u>
OPERATING PROFIT		<u>£28,560</u>	<u>£19,817</u>
OTHER INCOME			
Interest Income		£132	£108
Tax free incentives			£75
insurance payment		£0	£0
Total Other Income		<u>£132</u>	<u>£183</u>
OTHER EXPENSES			
Donation to Dynamic Woods	3	£10,000	£10,000
interest		£1	£0
Total Other Expenses		<u>£10,001</u>	<u>£10,000</u>
PROFIT BEFORE TAX		<u>£18,692</u>	<u>£10,000</u>
TAX ON PROFIT		<u>£3,925</u>	<u>£2,079</u>
NET PROFIT/(LOSS)		<u>£14,766</u>	<u>£7,921</u>
RECONCILIATION OF FUNDS			
Net income for the year		£14,766	£7,921
New Capital			
		<u>£14,766</u>	<u>£7,921</u>
total funds as at 31/03/2010		<u>£98,402</u>	<u>£90,481</u>
total funds as at 31/03/2011		<u>£113,168</u>	<u>£98,402</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 2011

FIXED ASSETS			
Plant, Machinery, Vehicles	4	15,444	20,456
office buiding		16,783	16,783
		32,227	37,239
CURRENT ASSETS			
Stock		46,650	54,998
Trade Debtors		18,862	11,313
provision for bad debts	-	14,060	2,896
Cash on Hand		80,655	39,910
		132,108	103,325
CREDITORS: Amounts Falling due within one year			
Trade Creditors		2,123	3,051
Other Creditors			
VAT Due		7,572	1,274
PAYE/NIC Due		1,489	1,703
Other creditors		1,891	1,889
		13,075	7,916
NET CURRENT ASSETS/(LIABILITIES)		119,033	95,409
TOTAL ASSETS LESS CURRENT LIABILITIES		151,260	132,648
CREDITORS: Amounts Falling due after more than one year			
Initial Stock - Jim Birley		27,167	27,167
PROVISIONS FOR LIABILITIES			
Company tax		3,925	2,079
ACRUALS			
bonus	3	7,000	5,000
NET ASSETS		113,167	98,401
CAPITAL & RESERVES			
Called up share Capital		100	100
Previous Capital investments		54,073	54,073
New Capital investments			
Retained Earnings		44,228	36,307
Current Year Earnings		14,766	7,921
Total Capital		113,168	98,401

For the year ending 31 March 2011 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

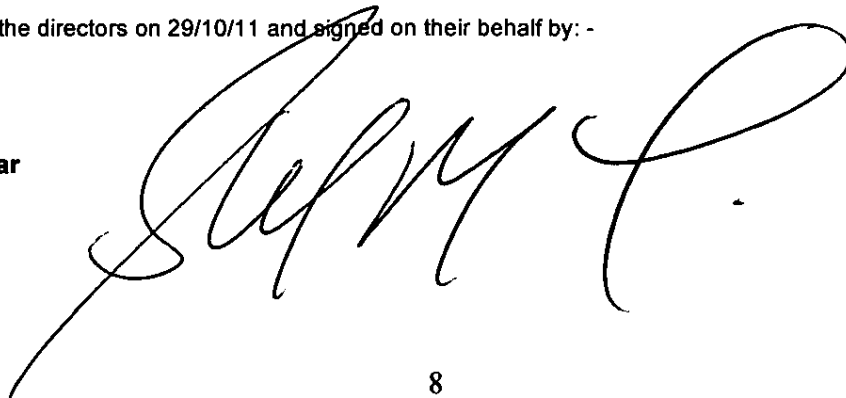
Directors' responsibilities:

- 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 29/10/11 and signed on their behalf by: -

Stuart Dewar
Director



DYNAMIC WOODS – SCOTTISHWOOD LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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. They 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 (2010: £Nil).

No expenses were paid to the Directors or any connected persons during the year (2010: £Nil).

£10,000 was donated to Dynamic Woods during the year (2010: £10,000).

DYNAMIC WOODS – SCOTTISHWOOD LTD
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2011

4 TANGIBLE FIXED ASSETS

	2011		2010	
TANGIBLE FIXED ASSETS	buildings	plant, machinery & equipment	buildings	plant, machinery & equipment
Cost of Valuation				
Balance as at 31/03/2010	16,783	177,907	16,783	133,812
additions during the year (For AIA)		10,435		46,095
disposals during the year		(2,300)		(2,000)
Balance as at 31/03/2011	<u>16,783</u>	<u>186,042</u>	16,783	<u>177,907</u>
Accumulated depreciation				
Balance as at 31/03/2010		157,451		107,002
AIA		10,435		46,095
Charge for year		2,712		4,354
Balance as at 31/03/2010		<u>170,597</u>		<u>157,451</u>
Net book value				
as at 31/03/2010	<u>16,783</u>	<u>15,445</u>	16,783	<u>20,456</u>

5 SHARES

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