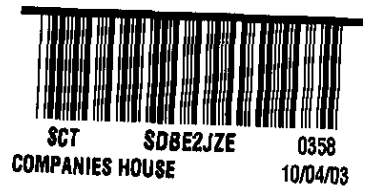


OREGON TIMBER FRAME LIMITED
Registered Number 181419

Directors' Report and Financial Statements

For the year ended 31 December 2002



OREGON TIMBER FRAME LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2002

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Directors

J.R.Merry
R.G.Lawson
G.N. Anderson (from 28 January 2003)

Secretaries

R.G.Lawson
Murray Beith and Murray WS

Auditors

Scott-Moncrieff
Chartered Accountants and Registered Auditors
17 Melville Street, Edinburgh, EH3 7PH

Solicitors

Murray Beith Murray WS
39 Castle Street, Edinburgh, EH2 3BH

Bankers

The Royal Bank of Scotland plc
36 St Andrew Square, Edinburgh, EH2 2YB

Registered office

39 Castle Street, Edinburgh, EH2 3BH

OREGON TIMBER FRAME LIMITED

Directors' Report

For the year ended 31 December 2002

The directors submit their report and audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year after taxation was £114,480 (2001 : £174,524). The directors recommend the payment of a dividend of £57,000 (2001 : £87,000) for the year, and the resultant retained profit will be £57,480 (2001 : £87,524).

Principal activities and review of the business

The principal activities of the Company are the design and manufacture of engineered timber systems for the construction and housing industries.

The turnover increased by 43% reflecting the improvement in demand for our product but gross margin reduced from 15% to 11% due to the increased costs arising from changes to methods of manufacture. The current year has started with a good order book and the trading outlook continues to be positive.

Directors and their interests

The directors and their interests in the Company at the balance sheet dates were as follows:-

	<u>Ordinary £1 shares</u>		<u>Options</u>	
	2002	2001	2002	2001
J.R.Merry	12,765	12,765	10,000	10,000
R.G.Lawson	36,870	36,870	30,000	30,000

No additional options were granted to directors and none were exercised by directors in the year.

The dates on which options are exercisable are governed by a formula linked to cumulative profits achieved by the Company. The options are for £1.50 a share and expire in 2005.

OREGON TIMBER FRAME LIMITED

Directors' Report - continued

For the year ended 31 December 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.


Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditors will be put to the members at the annual general meeting.

Small Company Exemption

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1995 relating to small companies.

**By order of the board
R.G. Lawson**



Secretary

OREGON TIMBER FRAME LIMITED

Auditors' Report to the Members

For the year ended 31 December 2002

We have audited the financial statement of Oregon Timber Frame Limited for the year ended 31 December 2002 set out on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report, if we become aware of any apparent misstatements within it.

Basis of opinion

We concluded our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgement made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from materials misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

SCOTT-MONCRIEFF

Chartered Accountants and Registered Auditor

17 Melville Street, Edinburgh EH3 7PH

16 March 2003

OREGON TIMBER FRAME LIMITED

Profit and Loss Account

For the year ended 31 December 2002

	Notes	2002	2001
		£	£
Turnover	2	7,234,947	5,036,845
Cost of sales		6,419,816	4,279,277
Gross profit		815,131	757,568
Sales & administration expenses		(665,388)	(521,255)
Operating profit	4	149,743	236,313
Interest receivable		3,054	3,985
Interest payable	5	(10,860)	(17,261)
(Loss)/Gain on sale of assets		(2,370)	2,255
		(10,176)	(11,021)
Profit on ordinary activities before taxation		139,567	225,292
Tax on profit on ordinary activities	6	(25,087)	(50,768)
Profit on ordinary activities after taxation		114,480	174,524
Dividends paid and proposed		(57,000)	(87,000)
Retained profit for year		57,480	87,524

All the results of the company relate to continuing operations.

The company has no recognised gains and losses other than those included in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 12 form part of these financial statements

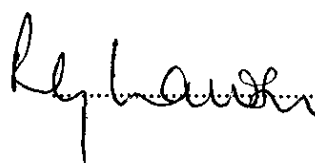
OREGON TIMBER FRAME LIMITED

Balance Sheet

As at 31 December 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	7	356,955	317,035
Investments	8	2	2
Current assets			
Stocks	9	67,928	66,472
Debtors	10	1,131,980	786,569
Cash at bank and in hand		310,631	178,301
		<u>1,510,539</u>	<u>1,031,342</u>
Creditors : Amounts falling due within one year	11	1,399,417	(912,783)
Net current assets		<u>111,122</u>	<u>118,559</u>
Total assets less current liabilities		<u>468,079</u>	<u>435,596</u>
Creditors: Amounts falling due in more than one year	12	(85,349)	(121,819)
Deferred Income	13	(31,073)	(19,600)
		<u>351,657</u>	<u>294,177</u>
Capital and reserves	14		
Equity share capital		150,000	150,000
Share premium account		32,250	32,250
Profit and loss account		169,407	111,927
Equity Shareholders' funds		<u>351,657</u>	<u>294,177</u>

The financial statements were approved by the directors on 25th March 2003

 Director

The notes on pages 6 to 12 form part of these financial statements

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements

For the year ended 31 December 2002

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting and under the historical cost accounting rules modified to include the revaluation of certain assets.

Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life as follows:-

Buildings	25 years
Tenants improvements	5 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 4 years
Motor Vehicles	4 years

Stocks

Stocks are stated at the lower of cost and net realisable value in the ordinary course of business, as follows:

Raw material	- purchase cost
Work-in-progress	- cost of direct materials and labour

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements

For the year ended 31 December 2002

1. Principal accounting policies continued.

Cash flow statement

The company is exempt from preparing a cash flow statement in compliance with the Financial Reporting Standard No 1.

Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the assets or in accordance with grant conditions by equal annual instalments.

Deferred taxation

Deferred taxation is provided on the liability method unless there is reasonable probability that such liability will not arise within the foreseeable future.

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

3. Staff numbers and costs

The average monthly number of employees of the company during the period, including directors, was:-

	2002 Number	2001 Number
Office and management	16	14
Workshop and other	32	21
	<hr/>	<hr/>
	48	35
	<hr/>	<hr/>

The aggregate remuneration and associated costs of the company's employees were:-

	£	£
Wages and salaries	859,200	598,712
Social security costs	82,871	61,679
Other pension costs	13,707	12,177
	<hr/>	<hr/>
	955,778	672,568
	<hr/>	<hr/>

The pension contributions were made by the Company to individual employee's pension plans.

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements

For the year ended 31 December 2002

4. Operating profit

	2002	2001
	£	£
The operating profit is stated after charging:-		
Directors' remuneration (including benefits)	92,280	84,560
Auditors' remuneration - Audit	3,600	3,000
Hire of plant and machinery - operating leases	14,577	17,949
Depreciation - owned assets	44,864	45,605
- assets held on finance leases	14,727	7,788
	<u>108,055</u>	<u>167,412</u>

5. Interest payable

	2002	2001
	£	£
Interest on bank overdraft and loans	8,028	12,895
Interest on hire purchase agreements	2,832	4,366
	<u>10,860</u>	<u>17,261</u>

6. Taxation

	2002	2001
	£	£
UK Corporation tax – current year	24,992	51,500
UK Corporation tax – adjustment to prior years	95	(732)
	<u>25,087</u>	<u>50,768</u>

The tax assessed for the year differs from the standard rate of tax as follows :-

Profit on ordinary activities before tax	139,567	225,292
	<u>139,567</u>	<u>225,292</u>
Tax on profit on ordinary activities at standard rate of 23% (2001 : 24%)	32,310	54,070
Expenses not deductible for tax purposes	1,289	2,287
Depreciation for the period in excess of capital allowances	(8,607)	(4,857)
Tax on previous periods	95	(732)
	<u>25,087</u>	<u>50,768</u>

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements - continued

For the year ended 31 December 2002

7. Tangible assets

	Freehold Property	Tenants Improvements	Motor Vehicles	Plant & Equipment	2002 Total	2001 Total
Costs or Valuation						
b/fwd	178,334	11,087	78,615	156,506	424,542	363,625
Additions in year at cost	23,009	-	-	82,714	105,723	84,642
Disposals in year	-	-	(27,565)	(5,081)	(32,646)	(23,725)
	<u>201,343</u>	<u>11,087</u>	<u>51,050</u>	<u>234,139</u>	<u>497,619</u>	<u>424,542</u>
Depreciation						
b/fwd	3,137	5,112	38,766	60,492	107,507	70,333
Provided in year	4,700	2,218	15,602	37,071	59,591	53,393
On disposals	-	-	(24,505)	(1,929)	(26,434)	(16,219)
At 31 December	<u>7,837</u>	<u>7,330</u>	<u>29,863</u>	<u>95,634</u>	<u>140,664</u>	<u>107,507</u>
Net Book Value 2002	<u>193,506</u>	<u>3,757</u>	<u>21,187</u>	<u>138,505</u>	<u>356,955</u>	<u>317,035</u>
Net Book Value 2001	<u>175,197</u>	<u>5,975</u>	<u>39,849</u>	<u>96,014</u>		

The net book value of fixed assets includes an amount of £8,145 (2001 : £12,395) in respect of assets held under finance leases. Depreciation for the year on these assets was £4,250 (2001 : £7,788).

8. Investments

	2002 £	2001 £
Investment in subsidiary	2	2

The investment is shown at cost and represents 100% of the issued share capital of Oregon Contract Management Limited, a company registered in Scotland. The group has taken advantage of the provisions of s248 of the Companies Act 1985 and the results of the subsidiary company have not been consolidated in these financial statements. The principal activity of this company is the erection of timber framed structures and its year end is 31 December. The profit for the year was £31,351 (2001 : loss £5,727) and net liabilities were £39,371 (2001 : £70,722).

9. Stocks

	2002 £	2001 £
Raw Materials	25,318	23,383
Work-in-progress	42,610	43,089
	<u>67,928</u>	<u>66,472</u>

10. Debtors

	2002 £	2001 £
Trade debtors	1,087,230	761,145
Prepayments and accrued income	14,602	6,074
VAT recoverable	30,148	19,350
	<u>1,131,980</u>	<u>786,569</u>

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements - continued

For the year ended 31 December 2002

11. Creditors : Amounts falling due within one year	2002	2001
	£	£
Bank overdraft	157,562	119,853
Bank term loan	34,000	34,000
Trade creditors	832,206	531,760
Other taxes and social security costs	59,056	42,925
Corporation Tax	24,992	51,500
Amounts owed to group companies	137,906	3,453
Accruals	67,975	42,238
Dividends payable	57,000	72,000
Hire purchase	28,720	15,054
	<u>1,399,417</u>	<u>912,783</u>

The bank overdraft is secured by a fixed and floating charge over the company's assets. A term loan of £75,000 under the small firms loan guarantee scheme is repayable in 36 monthly instalments and interest is charged at bank base rate plus 3%.

There is a further loan of £90,000, secured by a fixed and floating charge over the company's assets, which is repayable in 120 equal monthly instalments and interest is charged at bank base rate plus 2%.

12. Creditors: Amounts falling due in more than one year	2002	2001
	£	£
Bank term loan	68,724	102,099
Hire purchase	16,625	19,720
	<u>85,349</u>	<u>121,819</u>

Analysis of Debt	2002	2001
	£	£
Debt can be analysed as falling due :		
In one year or less, or on demand	196,912	101,853
Between one and two years	13,167	34,000
Between two and five years	27,000	31,167
Over five years	28,558	36,932
	<u>265,637</u>	<u>203,952</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:-

	2002	2001
	£	£
Included in Creditors		
Amounts falling due within 1 year	28,720	15,054
Amounts falling due after 1 year	16,625	19,720
	<u>45,345</u>	<u>34,774</u>

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements - continued

For the year ended 31 December 2002

13. Deferred Income	2002 £	2001 £
At 1 January 2002	19,600	15,667
Received in year	23,487	10,850
Released to profit and loss account	(12,014)	(6,917)
At 31 December 2002	<u>31,073</u>	<u>19,600</u>

As at 31 December 2002 there is an amount of £24,790 (2001 : £11,200) secured over the property by way of a fixed second charge by Scottish Enterprise Borders.

14. Equity share capital and reserves	2002 £	2001 £
<i>Share capital</i>		
Authorised equity share capital - Ordinary £1 shares	<u>1,000,000</u>	<u>1,000,000</u>
Issued equity share capital - Ordinary £1 shares fully paid	<u>150,000</u>	<u>150,000</u>

The total number of share options outstanding as at the balance sheet date amount to 90,000 (2001 : 70,000), 70,000 of which are exercisable at a price of £1.50 a share not later than February 2005, and 20,000 of which are exercisable at £2.60 a share not later than December 2006. The dates on which options are exercisable are governed by a formula linked to cumulative profits achieved by the Company. No options have lapsed during the period.

Reconciliation of movements in equity shareholder's funds

	Called up equity share capital £	Share premium account £	profit and loss account £	Total £
At December 2001	150,000	32,250	111,927	294,177
Retained profit for the year	-	-	57,480	57,480
At 31 December 2001	<u>150,000</u>	<u>32,250</u>	<u>169,407</u>	<u>351,657</u>

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements - continued

For the year ended 31 December 2002

15. Commitments and contingent liabilities

	2002 £	2001 £
Annual rents on Property lease which expires in over 5 years	30,639	30,639
	<u> </u>	<u> </u>
Annual operating lease on machinery which expires		
Within one year	5,196	10,344
Two to five years	9,876	-
Over five years	-	-
	<u> </u>	<u> </u>
Capital expenditure authorised at 31 December 2002	15,072	10,344
	<u> </u>	<u> </u>

16. Related Party Transactions

During the year purchases of £1,638,859 (2001 : £1,104,394) were made from Oregon Contract Management Limited. As at 31 December 2002 £137,906 (2001 : £3,453) was due to Oregon Contract Management Limited.