

OREGON TIMBER FRAME LIMITED

Registered Number SC181419

Directors' Report and Consolidated Financial Statements

For the year ended 31 December 2017

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OREGON TIMBER FRAME LIMITED

Directors' Report and Consolidated Financial Statements For the year ended 31 December 2017

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Directors

K.B Dunkley
M.N. Jarman
R.G. Lawson
P. Wade
E. M. Young
R.P. Dodyk
G. McKinlay
N. Fitzsimmons

Secretaries

R.G. Lawson
M.B.M. Commercial L.L.P.

Auditor

Scott-Moncrieff
Chartered Accountants and Statutory Auditor
Exchange Place 3, Semple Street, Edinburgh EH3 8BL

Solicitors

MBM Commercial LLP
125 Princes Street, Edinburgh, EH2 4AD

Bankers

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

Registered office

Portland Buildings, Dunsdale Road, Selkirk TD7 5EB.

Website address

www.oregon.co.uk

OREGON TIMBER FRAME LIMITED

Strategic Report For the year ended 31 December 2017

The directors submit their strategic report for the year ended 31 December 2017.

Principal activities, review of the business and future developments

Principal activities: the design, manufacture and erection of engineered timber systems for the construction and housing industries and provisions of related technical services.

Future developments: as a result of the investment in buildings, equipment and IT systems over the last few years, the group has created substantial, additional production capacity which will allow it to grow in the years ahead. In view of the large potential housing market in England, efforts are being made to diversify geographically and service clients in that market.

Performance review: the company measures performance through a series of key measures, and the principal ones are shown below. Gross and net margins continue to be affected both by the depreciation of the pound as a result of the EU referendum vote and increased demand for raw materials. Material costs have been rising and it is expected that margins in the current year could be lower than last year. Turnover increased by nearly 10% in 2017 and it is expected to be similar in the current year, provided the housing market continues to be buoyant. The balance sheet remains in a satisfactory state with a positive cash position.

Key measures :	2017	2016
Turnover increase :	9.6%	7.2%
Gross margin	17.9%	19.1%
Net margin before tax	7.6%	8.9%

The Balance Sheet shows an excess of net current assets and a significant cash balance has been maintained. This allows the company to continue to make capital investments or share buybacks as appropriate.

Results and dividends

The group profit for the year after taxation was £1,484,133 (2016: £1,625,901). A dividend of £334,304 was paid in the year (2016 : £537,800).

OREGON TIMBER FRAME LIMITED

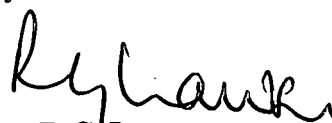
Strategic Report - continued
For the year ended 31 December 2017

Principal risks and uncertainties

The housing market continues to be strong, but may be affected should interest rates rise or the general economic climate change. Accordingly, there remains uncertainty in forecasting demand from our clients. Customers generally have improved finances but credit risk continues to exist.

Prices for timber and wood products are subject to fluctuations which can have a large effect on margins in Oregon Timber Frame Ltd. Industry shortages of skilled workers could limit the ability of Oregon Contract Management Ltd to respond to demand and could have an adverse effect on margins.

By order of the board

A handwritten signature in black ink, appearing to read 'R.G. Lawson', is written over the printed name.

R.G. Lawson
Secretary

22nd March 2018

OREGON TIMBER FRAME LIMITED

Directors' Report For the year ended 31 December 2017

The directors submit their report and audited consolidated financial statements for the year ended 31 December 2017.

Directors

The directors who served during the year were K.B Dunkley, M.N. Jarman, R.G. Lawson, P. Wade, E. M. Young, N .Fitzsimmons (appointed 1/9/17), G. McKinlay, R.P. Dodyk and G.More (resigned 7/3/17).

Statement of Directors' responsibilities

The directors are responsible for preparing 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 which give a true and fair view of the state of affairs of the group and of the profit or loss of the group 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 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research & Development

The group engages in development and original research within Oregon Timber Frame Ltd in order to improve its products.

The amount expended in the year in Oregon Timber Frame was £72,788. There was no expenditure by Oregon Contract Management Ltd.

OREGON TIMBER FRAME LIMITED

Directors' Report-continued
For the year ended 31 December 2017

Disclosure of information to the auditor

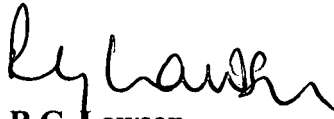
As far as each of the directors, at the time the report is approved, is aware:

- there is no relevant information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Auditor

The auditor, Scott-Moncrieff, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

By order of the board



R.G. Lawson
Secretary

22nd March 2018

OREGON TIMBER FRAME LIMITED

Independent Auditor's Report to the Members of Oregon Timber Frame Limited

Opinion

We have audited the financial statements of Oregon Timber Frame Limited (the "parent company") and its subsidiary (the "group") for the year ended 31 December 2017 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OREGON TIMBER FRAME LIMITED

Independent Auditor's Report to the Members of Oregon Timber Frame Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

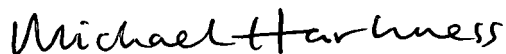
OREGON TIMBER FRAME LIMITED

Independent Auditor's Report to the Members of Oregon Timber Frame Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Michael Harkness (Senior Statutory Auditor)
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 22 March 2018

OREGON TIMBER FRAME LIMITED

Consolidated Profit and Loss Account For the year ended 31 December 2017

	Notes	2017	2016
		£	£
Turnover	4	23,744,536	21,663,086
Cost of sales		(19,492,083)	(17,532,505)
Gross profit		<u>4,252,453</u>	<u>4,130,581</u>
Sales & administration expenses		(2,540,697)	(2,208,124)
Operating profit	6	<u>1,711,756</u>	<u>1,922,457</u>
Investment gains		78,810	-
Interest receivable		2,304	18,174
Interest payable	7	-	(4,287)
		<u>81,114</u>	<u>13,887</u>
Profit on ordinary activities before taxation		<u>1,792,870</u>	<u>1,936,344</u>
Tax on profit on ordinary activities	8	(308,737)	(310,443)
Profit for year		<u><u>1,484,133</u></u>	<u><u>1,625,901</u></u>

All the results of the group relate to continuing operations.

The group has no recognised gains and losses other than those included above, and therefore no separate Statement of Comprehensive Income has been presented.

The notes on pages 15-28 form part of these financial statements

OREGON TIMBER FRAME LIMITED

Group Balance Sheet As at 31 December 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	9		2,301,179		2,483,698
Current assets					
Investments	10	1,578,810		-	
Stocks	11	620,212		437,894	
Debtors	12	5,095,209		3,637,899	
Cash at bank and in hand		1,513,515		2,547,299	
		<u>8,807,746</u>		<u>6,623,092</u>	
Creditors: Amounts falling due within one year	13	(4,134,820)		(3,283,245)	
Net current assets			<u>4,672,926</u>		<u>3,339,847</u>
Total assets less current liabilities			<u>6,974,105</u>		<u>5,823,545</u>
Creditors: Amounts falling due in more than one year	14		(46,660)		(48,860)
Provisions for liabilities	16		(110,755)		(127,075)
			<u>6,816,690</u>		<u>5,647,610</u>
Capital and reserves	18				
Called-up share capital	17		263,000		259,150
Share redemption reserve			17,000		17,000
Share premium account			372,250		343,375
Share option reserve			-		13,475
Profit and loss account			6,085,630		5,014,610
Other reserves			78,810		-
Shareholders' funds			<u>6,816,690</u>		<u>5,647,610</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22nd March 2018 and are signed on its behalf by:

R.G. Lawson
Director

Company Registration No. SC181419

The notes on pages 15-28 form part of these financial statements.

OREGON TIMBER FRAME LIMITED

Company Balance Sheet As at 31 December 2017

	Notes	2017	2016
		£	£
Fixed assets			
Tangible assets	9	2,301,179	2,483,698
Investments	10	2	2
Current assets			
Investments	10	1,578,810	-
Stocks	11	557,290	369,544
Debtors	12	5,095,208	3,636,399
Cash at bank and in hand		1,503,154	2,725,476
		<u>8,734,462</u>	<u>6,731,419</u>
Creditors: Amounts falling due within one year	13	(4,065,232)	(3,395,575)
Net current assets		<u>4,669,230</u>	<u>3,336,044</u>
Total assets less current liabilities		<u>6,970,411</u>	<u>5,819,744</u>
Creditors: Amounts falling due in more than one year	14	(46,660)	(48,860)
Provisions for liabilities	16	(110,755)	(127,075)
		<u>6,812,996</u>	<u>5,643,809</u>
Capital and reserves	18		
Called-up share capital	17	263,000	259,150
Share redemption reserve		17,000	17,000
Share premium account		372,250	343,375
Share option reserve		-	13,475
Profit and loss account		6,081,936	5,010,809
Other reserves		78,810	-
Shareholders' funds		<u>6,812,996</u>	<u>5,643,809</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22nd March 2018 and are signed on its behalf by:

R.G. Lawson
Director

Company Registration No. SC181419

The notes on pages 15 to 28 form part of these financial statements.

OREGON TIMBER FRAME LIMITED

Consolidated Statement of Changes in Equity For the year ended 31 December 2017

	Called up Equity share capital	Share premium account	Other reserves	Share redemption account	Share option reserve	P & L	TOTAL
	£	£	£	£	£	£	£
At 31 December 2015	243,000	222,250		17,000	61,000	3,878,984	4,422,234
Share based payment costs					(47,525)	47,525	-
Shares issued	16,150	121,125				-	137,275
Profit for the year						1,625,901	1,625,901
Dividend paid						(537,800)	(537,800)
<hr/>							
At 31 December 2016	259,150	343,375		17,000	13,475	5,014,610	5,647,610
Share based payment costs					(13,475)	13,475	-
Shares issued	3,850	28,875					32,725
Profit for the year						1,391,849	1,391,849
Dividend paid						(334,304)	(334,304)
Investment gains			78,810				78,810
<hr/>							
At 31 December 2017	263,000	372,250	78,810	17,000	-	6,085,630	6,816,690
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The notes on pages 15 to 28 form part of these financial statements.

OREGON TIMBER FRAME LIMITED

Company Statement of changes in Equity For the year ended 31 December 2017

	Called up Equity share capital	Share premium account	Other reserves	Share redemption account	Share option reserve	P & L	TOTAL
	£	£	£	£	£	£	£
At 31 December 2015	243,000	222,250		17,000	61,000	3,876,032	4,419,282
Share based payment costs					(47,525)	47,525	-
Shares issued	16,150	121,125					137,275
Profit for the year						1,625,052	1,625,052
Dividend paid						(537,800)	(537,800)
<hr/>							
At 31 December 2016	259,150	343,375		17,000	13,475	5,010,809	5,643,809
Share based payment costs					(13,475)	13,475	-
Shares issued	3,850	28,875					32,725
Profit for the year						1,391,956	1,391,956
Dividend paid						(334,304)	(334,304)
Investment gains			78,810				78,810
<hr/>							
At 31 December 2017	263,000	372,250	78,810	17,000	-	6,081,936	6,812,996
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The notes on pages 15 to 28 form part of these financial statements

OREGON TIMBER FRAME LIMITED

Consolidated Cash Flow Statement As at 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	21	1,169,205	2,053,301
Interest paid		-	(4,287)
Tax paid		(319,557)	(484,194)
Net cash generated from operating activities		<u>849,648</u>	<u>1,564,820</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(87,157)	(423,155)
Interest receivable		2,304	18,174
Acquisition of investment		(1,500,000)	-
Proceeds from sale of property, plant & equipment		3,000	-
Net cash used in investing activities		<u>(1,581,853)</u>	<u>(404,981)</u>
Cashflows from financing activities			
Repayment of borrowings		-	(340,000)
Exercise of share options		32,725	137,275
Dividends paid to Company's shareholders		(334,304)	(537,800)
Net cash used in financing activities		<u>(301,579)</u>	<u>(740,525)</u>
Net (decrease)/ increase in cash and cash equivalents		(1,033,784)	419,314
Cash and cash equivalents at beginning of the year		2,547,299	2,127,985
Cash and cash equivalents at end of the year		<u>1,513,515</u>	<u>2,547,299</u>

The notes on pages 15 to 28 form part of these financial statements

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

1. Company information

The company is a United Kingdom company limited by shares. It is both incorporated and domiciled in Scotland. The principal activities of the group are the design, manufacture and erection of engineered timber systems for the construction and housing industries and provisions of related technical services. Details of the registered office can be found on the company information page of these financial statements. The company registration number is SC181419.

2. 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 convention. The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group and company's accounting policies (see note 4).

Going concern

The directors have assessed a period of 12 months from the date of approval of the financial statements and consider that no material uncertainties exist that cast significant doubt about the ability of the group to continue as a going concern. Thus the directors adopt the going concern basis of accounting in preparing the financial statements.

Turnover policy

Turnover represents amounts derived from the sale and installation of engineered timber systems and is recognised when goods are despatched and when kits are erected. There are also fees for professional services and turnover is recognised when the service is rendered. Turnover is stated net of value added tax.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all undertakings over which the group exercises a dominant influence. Results of subsidiary undertakings are included from the date of acquisition. No profit and loss account has been prepared for the company as provided by Section 408 of the Company Act 2006.

The financial statements comprise those of the company and its subsidiary. Subsidiaries, including special purpose entities, which are directly or indirectly controlled by the group are consolidated. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities, which generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

Basis of consolidation (continued)

with group policies for consolidation purposes. All companies in the group have the same reporting date of 31 December.

All significant intra-group transactions and balances between group entities are eliminated on consolidation.

Research & Development

Research and development costs are written off as incurred.

Depreciation

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 group 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 the Profit and Loss Account during the period in which they are incurred.

The residual values and useful lives of tangible fixed assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

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
Plant and machinery	3 to 5 years
Fixtures and fittings	3 to 4 years

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

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.

Financial instruments

The group 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 and loans to related parties.

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, which is an approximation of the amount that the group 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.

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire, or when the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business and are recognised at the undiscounted amount of cash receivable, which is normally the invoice price less any allowances for doubtful debt.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognised at the undiscounted amount owed to the supplier which is normally the invoice 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.

Leased assets

Operating leases are charged to the profit & loss account on a straight line basis over the lease term.

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 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Investments

Listed investments are measured initially at cost and subsequently at fair value at each reporting date. Fair value is taken as the mid market value of the investment reported by the investment managers at the reporting date. Gains and losses on disposal and revaluation of investments are charged to the profit and loss account in the period to which they relate.

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

Employee benefits

The group operates money purchase (defined contribution) pension schemes in respect of its employees. Contributions payable to these schemes are charged to the Profit and Loss account in the period to which they relate. These contributions are invested separately from the group's assets.

Share based payments

The group has issued equity-settled share-based options to certain employees. These are measured at fair value (excluding the effect of non market-based vesting conditions) at the grant date. The fair value determined is expensed on a straight line basis over the vesting period, based on the group's estimate of the shares that will eventually vest and adjusted for non market-based vesting conditions. Since there is only an internal market for shares, an estimate of fair value is made based on values of any share transactions made around the time of making the grant.

Government Grants

Grants for capital projects are deferred and credited in equal instalments over the life of the asset.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies.

The directors are satisfied that accounting policies are appropriate and applied consistently. Key sources of accounting estimation have been applied to the depreciation rates which are deemed to be appropriate for the class of assets.

4. Turnover

Turnover, analysed by category, was as follows:

	Group and company	
	2017	2016
	£	£
Sales of goods	17,169,429	15,350,958
Rendering of services	6,575,107	6,312,128
	<u>23,744,536</u>	<u>21,663,086</u>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

5. Employee benefit expenses - Group

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

	2017 Number	2016 Number
Office and management	33	30
Workshop and other employees	110	98
	<hr/> 143	<hr/> 128

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

	£	£
Wages and salaries	3,571,241	3,115,993
Social security costs	335,511	268,349
Other pension costs	110,860	104,479
	<hr/> 4,017,612	<hr/> 3,488,821

Directors' remuneration :-

	£	£
Remuneration	397,265	359,904
Pension contributions	36,070	48,379
	<hr/> 433,335	<hr/> 408,283

The pension contributions were made by the group to individual employees' pension plans. Auto enrolment pensions started in July 2014 and contributions are paid to a provider nominated by the company.

	2017 Number	2016 Number
Directors accruing pension benefits :	4	5

The emoluments of the highest paid director, including a car allowance, were £100,900 (2016: £94,350) plus a contribution to a pension scheme of £8,650 (2016:£8,250). Pension payments recognised as an expense during the year amounted to £36,070 (2016: £48,379). The key management personnel of the group are deemed to be the directors. All remuneration of key management is disclosed above.

6. Operating profit - Group

	2017 £	2016 £
The group's operating profit is stated after charging/(crediting):		
Auditor's remuneration		
- audit fees	13,000	12,600
- non-audit fees	350	350
Hire of plant and machinery	864,482	816,134
Depreciation - owned assets	269,676	236,348
Government grant released	(2,220)	(2,220)
	<hr/>	<hr/>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

7. Interest payable - Group	2017	2016
	£	£
Interest on bank overdraft and loans	-	4,287
	<hr/>	<hr/>

8. Taxation - Group	2017	2016
	£	£
Corporation Tax at 19.25% for current year (2016 : 20%)	325,057	319,928
Adjustment relating to previous year	-	(2,756)
	<hr/>	<hr/>
Total current tax	325,057	317,172
Deferred taxation	(16,320)	(6,729)
	<hr/>	<hr/>
	308,737	310,443
	<hr/>	<hr/>

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

	2017	2016
	£	£
Profit on ordinary activities before tax	1,792,870	1,936,344
	<hr/>	<hr/>

Tax on profit on ordinary activities at standard rate of 19.25 % (2016 : 20%)	345,127	387,269
Expenses not deductible for tax purposes	5,737	295
Adjustment relating to previous year	-	(2,760)
Ineligible depreciation difference	5,962	4,421
Other short term timing differences	(15,019)	(14,054)
Tax losses	(17,478)	(64,284)
Income not taxable for tax purposes	(15,592)	(444)
	<hr/>	<hr/>
	308,737	310,443
	<hr/>	<hr/>

The aggregate current tax relating to items that are recognised as items of other comprehensive income is £nil (2016: £nil).

OREGON TIMBER FRAME LIMITED

Notes to the Financial Statements For the year ended 31 December 2017

9. Tangible assets

Group and Company	Freehold Property £	Plant & Equipment £	2017 Total £	2016 Total £
Cost				
b/fwd	2,309,555	1,897,144	4,206,699	3,785,949
Additions in year at cost	12,636	74,521	87,157	423,155
Disposals in year	-	(30,000)	(30,000)	
	<u>2,322,191</u>	<u>1,941,665</u>	<u>4,263,856</u>	<u>4,206,699</u>
Depreciation				
b/fwd	408,133	1,314,868	1,723,001	1,489,058
Provided in year	85,716	183,960	269,676	236,348
On disposals	-	(30,000)	(30,000)	(2,405)
At 31 December 2017	<u>493,849</u>	<u>1,468,828</u>	<u>1,962,677</u>	<u>1,723,001</u>
Net Book Value 2017	<u>1,828,342</u>	<u>472,837</u>	<u>2,301,179</u>	<u>2,483,698</u>
Net Book Value 2016	<u>1,901,422</u>	<u>582,276</u>		

10. Investments

Group	Investment in subsidiary £	Listed Investment £	2017 Total £	2016 Total £
Cost				
b/fwd	-	-	-	-
Additions in year at cost	-	1,500,000	1,500,000	-
Investment gains	-	78,810	78,810	-
	<u>-</u>	<u>1,578,810</u>	<u>1,578,810</u>	<u>-</u>
Company				
Cost				
b/fwd	2	-	2	2
Additions in year at cost	-	1,500,000	1,500,000	-
Investment gains	-	78,810	78,810	-
	<u>2</u>	<u>1,578,810</u>	<u>1,578,812</u>	<u>2</u>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

10. Investments (continued)

The investment in subsidiary is shown at cost and represents 100% of the issued share capital of Oregon Contract Management Limited, a company registered in Scotland. The principal activity of the company is the erection of timber frame structures and its year end is 31 December 2017. The results for Oregon Contract Management Ltd have been included within the consolidation. The registered office of Oregon Contract Management Ltd is the same as the group.

The company also has de facto control of The Oregon Benefit Trust. The latest Statement of Affairs as at 5th April 2017 is as follows :-

	£		£
Income/Gains on sale	9,390	Value of Shares held	329,355
Expenditure	(1,625)	Cash at bank	11,246
Taxation	(1,520)	Intercompany loan	(305,000)
		Tax due	(1,454)
Net Surplus for Year	<u>6,245</u>	Net Assets	<u>34,147</u>

The Oregon Benefit Trust is not material and has not been consolidated as per Section 405 of the Companies Act 2006.

11. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Raw Materials	428,750	235,782	428,750	235,782
Work-in-progress	191,462	202,112	128,540	133,762
	<u>620,212</u>	<u>437,894</u>	<u>557,290</u>	<u>369,544</u>

Stock recognised in cost of sales during the year as an expense was £9,672,116 (2016: £8,276,870).

12. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	4,488,518	3,469,847	4,488,518	3,469,847
Prepayments and accrued income	12,367	18,213	12,366	16,713
VAT recoverable	149,324	114,839	149,324	114,839
Loan to The Oregon Benefit Trust	445,000	35,000	445,000	35,000
	<u>5,095,209</u>	<u>3,637,899</u>	<u>5,095,208</u>	<u>3,636,399</u>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

13. Creditors : Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	3,134,654	2,540,856	2,523,104	2,206,074
Other taxes and social security costs	174,125	134,205	116,560	90,842
Corporation Tax	177,003	171,504	177,029	171,728
Amounts owed to group companies	-	-	680,720	556,518
Accruals	649,038	436,680	567,819	370,213
	<u>4,134,820</u>	<u>3,283,245</u>	<u>4,065,232</u>	<u>3,395,375</u>

There is a parent company guarantee of £85,000 held by the Bank in favour of The Oregon Benefit Trust

14. Creditors: Amounts falling due in more than one year Group & Company

	2017	2016
	£	£
Grant	46,660	48,860
	<u>46,660</u>	<u>48,860</u>

The parent company received a government grant of £55,000 in 2014 towards the construction of a new building. This grant is being released to the Profit and Loss Account over the life of the building. In the current year £2,200 has been released.

15. Financial Instruments

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Financial assets				
Basic financial assets measured at amortised cost	4,933,518	3,504,847	4,933,518	3,504,847
Financial assets measured at fair value	<u>1,578,810</u>	<u>-</u>	<u>1,578,810</u>	<u>-</u>
	6,512,328	3,504,847	6,512,328	3,504,847
Financial liabilities				
Basic financial liabilities measured at amortised cost	<u>3,783,692</u>	<u>2,977,536</u>	<u>3,771,643</u>	<u>3,132,805</u>

Financial assets measured at amortised cost comprise trade debtors and amounts owed by The Oregon Benefit Trust. Financial liabilities measured at amortised cost comprise bank term loan, trade creditors, amounts owed to group companies and accruals. Financial assets measured at fair value comprise listed investments.

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

16. Provisions for liabilities Group & Company

Deferred tax provided in the accounts is :

	2017 £	2016 £
Accelerated capital allowances	114,222	130,188
Short term timing differences	(3,467)	(3,113)
	<u>110,755</u>	<u>127,075</u>

The movement in the deferred tax provision during the year was :

	2017 £	2016 £
At 1 January 2017	127,075	133,804
Movement in the year	(16,320)	(6,729)
At 31 December 2017	<u>110,755</u>	<u>127,075</u>

17. Called up share capital and reserves - Group & Company

Equity share capital – allotted and called up Ordinary £1 shares fully paid

	£
At 1 January 2017	259,150
Share options exercised (£1 ordinary shares)	<u>3,850</u>
At 31 December 2017	<u>263,000</u>

Consideration received for the allotment of ordinary shares during the year was £32,725.
The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

18. Reserves

Called-up equity share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital.

Share redemption account – includes shares that have been repurchased by the group.

Share option reserve – includes options awarded to employees, revalued each year.

Other reserves – includes all unrealised investment gains.

Profit and loss account – includes all current and prior period retained profits and losses.

Dividends of £334,304 (2016: £537,800) were declared and paid out in the year.

19. Leasing & Capital Commitments

The company's commitments for rental payments under non-cancellable operating leases at 31 December 2017 were as set out below:

	2017	2016
	£	£
Operating leases which expire:		
Within one year	46,374	49,185
Between 2-5 years	<u>62,693</u>	<u>64,079</u>
	<u>109,067</u>	<u>113,264</u>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

20. Related Party Transactions

During the year, the directors of the company, in their capacity as shareholders or beneficiaries, received dividend payments as follows:-

	2017	2016
	£	£
P. Wade	25,155	39,060
R. G. Lawson	62,694	104,976
M.N. Jarman	619	1,037
E. M. Young	13,397	22,432
K. B. Dunkley	25,155	36,000
G. More	-	21,600
R.P. Dodyk	18,705	29,280
G. McKinlay	6,450	10,800

The following directors also provided consultancy services to the parent company:

	2017	2016
	£	£
M.N. Jarman	2,930	11,797

Two directors, P. Wade and G.McKinlay exercised 2,250 and 1,000 share options respectively in the year at an exercise price of £8.50 per share. There are no options remaining to be exercised.

21. Cash flows from operating activities

	2017	2016
	£	£
Profit before tax	1,711,756	1,969,982
Adjustments for:		
Depreciation	269,676	236,348
Gain on sale of property, plant and equipment	(3,000)	-
Share option cost	(13,475)	(47,525)
Changes in working capital:		
Movement in stocks	(182,318)	135,858
Movement in debtors	(1,457,310)	52,481
Movement in creditors	843,876	(293,843)
Cash generated from operations	<u>1,169,205</u>	<u>2,053,301</u>

OREGON TIMBER FRAME LIMITED

Notes to the Consolidated Financial Statements For the year ended 31 December 2017

22. Share based payments

On 17th January 2014 20,000 options on £1 ordinary shares were awarded to certain employees of the company, under the EMI scheme, at an exercise price of £8.50 per share. These options are subject to target profits being achieved over the 3 years to 31st December 2016 and the option period is to 31st March 2018. 3,250 of these options were exercised during 2017.

23. Post balance sheet event

On 21st March 2018, the company completed a share buyback of 68,818 ordinary shares from current shareholders for a total consideration of £2,408,630.