

Financial Statements

Archwood Limited

For the period ended 30 September 2017

Registered number: 02037421

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Archwood Limited

Company Information

Directors

J Burbidge
R H Burbidge
M Moir
A G Miles

Company secretary

A J Simms

Registered number

02037421

Registered office

Archwood House
Kingsfield Court
Chester Business Park
Chester
CH4 9RE

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Royal Liver Building
Liverpool
L3 1PS

Bankers

Natwest Bank Plc
Shrewsbury
Shropshire
SY1 1HE

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Strategic report

For the period ended 30 September 2017

Business review

The directors present their report and the financial statements of the company for the year ended 30 September 2017.

The reported turnover for the year was £32,551,000 down 20.6% from 2016 £41,000,000.

Gross profit margins have increased from 21.7% in 2016 to 22.1% for 2017.

Contained within the operating expenses for 2017 are exceptional costs in relation to the consolidation and restructuring of both commercial and operational activities to enable the business to more competitively face the markets to which it serves for future periods.

Performance of the business

	2017 £000	2016 £000
Turnover	32,551	41,000
Turnover growth	(20.6%)	(15.2%)
Gross Profit margin	22.1%	21.7%
Operating Profit margin	(9.0%)	(4.0%)
Loss before tax	(3,186)	(1,855)

Principal risks and uncertainties

The company uses financial instruments, these include cash, finance leases and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Interest rate risk

The company finances its operations through a mixture of retained profits and finance leases.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from its trade debtors. In order to manage credit risk, credit limits are set and reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Archwood Limited

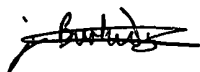
Strategic report (continued)

For the period ended 30 September 2017

Currency risk

The company has a number of overseas suppliers. As a result the company reviews its currency exposure on a continual basis and will enter into hedges if considered necessary.

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



J Burbidge
Director

Date: 30/05/18

Directors' report

For the period ended 30 September 2017

The directors present their report and the financial statements for the period ended 30 September 2017.

Results and dividends

The loss for the period, after taxation, amounted to £3,041,000 (2016: loss £1,606,000).

The directors do not propose a dividend for the year (2016: £Nil).

Directors

The directors who served during the period were:

J Burbidge
R H Burbidge
M Moir
A G Miles (appointed 25 May 2017)
P Haggerty (resigned 24 March 2017)
P Lerigo (resigned 28 February 2017)
K K Riddle (resigned 30 June 2017)
S Underhill (resigned 6 January 2017)

Directors' responsibilities statement

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's 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee involvement

Regular meetings are held between local management and employees to allow a free flow of information and ideas. There is also an open channel of communication between management and employees.

Directors' report (continued)

For the period ended 30 September 2017

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditor

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each 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 auditor is aware of that information.

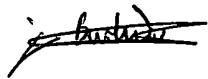
Post balance sheet events

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

Auditor

The auditor, Grant Thornton UK 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.



J Burbidge
Director

Date: 30/05/18



Independent Auditor's Report to the Members of Archwood Limited

Opinion

We have audited the financial statements of Archwood Limited for the period ended 30 September 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 the applicable law 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'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its loss for the period 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.

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 company 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 other 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 opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to 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 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.

Independent Auditor's Report to the Members of Archwood Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on pages 3 to 4, 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 has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.



Independent Auditor's Report to the Members of Archwood Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Grant Thornton UK LLP

Carl Williams FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
Date: 30 May 2015

Statement of comprehensive income

For the period ended 30 September 2017

	Note	2017 £000	2016 £000
Turnover	4	32,551	41,000
Cost of sales		(25,356)	(32,083)
Gross profit		7,195	8,917
Administrative expenses		(9,797)	(9,408)
Exceptional administrative expenses	12	(345)	(1,135)
Operating loss	5	(2,947)	(1,626)
Interest payable	9	(10)	(3)
Other finance expense	26	(229)	(226)
Loss before tax		(3,186)	(1,855)
Tax on loss before tax	11	145	249
Loss for the financial period		(3,041)	(1,606)
Other comprehensive income for the period			
Actuarial gain/(losses) on defined benefit pension scheme	26	2,666	(3,918)
Movement of deferred tax relating to pension surplus		(237)	292
Other comprehensive income for the period		2,429	(3,626)
Total comprehensive income for the period		(612)	(5,232)

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

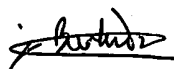
The notes on pages 11 to 31 form part of these financial statements.

Balance sheet

As at 30 September 2017

	Note	30 September 2017 £000	1 October 2016 £000
Fixed assets			
Tangible assets	13	4,189	4,649
		<u>4,189</u>	<u>4,649</u>
Current assets			
Stocks	14	7,208	9,017
Debtors: amounts falling due within one year	15	7,760	9,902
Cash at bank and in hand	16	3,634	2,445
		<u>18,602</u>	<u>21,364</u>
Creditors: amounts falling due within one year	17	(4,860)	(4,753)
Net current assets		<u>13,742</u>	<u>16,611</u>
Total assets less current liabilities		<u>17,931</u>	<u>21,260</u>
Creditors: amounts falling due after more than one year	18	(253)	(373)
Pension liability	26	(7,406)	(10,003)
Net assets		<u>10,272</u>	<u>10,884</u>
Capital and reserves			
Called up share capital	22	38	38
Share premium account	23	2,329	2,329
Profit and loss account	23	7,905	8,517
		<u>10,272</u>	<u>10,884</u>

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



J Burbidge
Director

Date: 30/05/18

The notes on pages 11 to 31 form part of these financial statements.

Statement of changes in equity

For the period ended 30 September 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 2 October 2016	38	2,329	8,517	10,884
Comprehensive income for the period				
Loss for the period	-	-	(3,041)	(3,041)
Actuarial gains on pension scheme	-	-	2,666	2,666
Deferred tax movement on pension liability	-	-	(237)	(237)
Total comprehensive income for the period	-	-	(612)	(612)
At 30 September 2017	38	2,329	7,905	10,272

Statement of changes in equity

For the period ended 1 October 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 4 October 2015	38	2,329	13,749	16,116
Comprehensive income for the period				
Loss for the period	-	-	(1,606)	(1,606)
Actuarial losses on pension scheme	-	-	(3,918)	(3,918)
Deferred tax movement on pension liability	-	-	292	292
Total comprehensive income for the period	-	-	(5,232)	(5,232)
At 1 October 2016	38	2,329	8,517	10,884

The notes on pages 11 to 31 form part of these financial statements.

Notes to the financial statements

For the period ended 30 September 2017

1. General information

Archwood Limited is a company limited by shares and incorporated in the United Kingdom. The registered office of the company is Archwood House, Kingsfield Court, Chester Business Park, Chester, CH4 9RE.

The principal activity of the company is manufacturing and sale of timber products.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Cashflow exemption

The individual accounts of Archwood Limited have adopted the disclosure exemption from the requirement to present a statement of cashflows and related notes.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.3 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 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.

2.5 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.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.6 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	- 2 to 12.5 years
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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.

2.7 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.

2.8 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.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.9 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 debtors and creditors, 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 debtors and creditors, 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 Statement of comprehensive income.

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 period ended 30 September 2017

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 04 October 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.12 Finance leases

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 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 Statement of comprehensive income 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.

2.14 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The company operates 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 payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income 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.

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Notes to the financial statements

For the period ended 30 September 2017

2. Accounting policies (continued)

2.15 Pensions (continued)

Defined benefit pension plan

Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Balance sheet. A net surplus is recognised only to the extent that it is recoverable.

The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

2.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

Notes to the financial statements

For the period ended 30 September 2017

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

Preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results in the future could differ from the estimates. In this regard, the directors believe that the critical accounting policy where judgements or estimates are necessarily applied are in the calculation of stock provision, rebates, trade debt provision, impairment of goodwill and investments in subsidiaries.

4. Turnover

The whole of the turnover is attributable to the sale of timber products.

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	32,333	40,557
Rest of Europe	218	182
Rest of the world	-	261
	<u>32,551</u>	<u>41,000</u>

5. Operating loss

The operating loss is stated after charging:

	2017 £000	2016 £000
Research & development charged as an expense	178	150
Loss/(profit) on sale of fixed assets	-	24
Depreciation of tangible fixed assets	816	989
Exchange differences	(41)	(68)
Other operating lease rentals	234	133
Defined contribution pension cost	334	437

Notes to the financial statements

For the period ended 30 September 2017

6. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	34	36
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	13	13
	13	13

7. Employees

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

	2017 £000	2016 £000
Wages and salaries	6,027	7,210
Social security costs	580	675
Cost of defined contribution scheme	334	437
	6,941	8,322

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

	2017 No.	2016 No.
Production staff	166	193
Administrative staff	88	112
	254	305

Notes to the financial statements

For the period ended 30 September 2017

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	481	672
Company contributions to defined contribution pension schemes	46	64
	<u>527</u>	<u>736</u>

During the period retirement benefits were accruing to 6 directors (2016: 9) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £129,000 (2016: £220,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2016: £Nil).

9. Interest payable

	2017 £000	2016 £000
Other interest payable	<u>(10)</u>	<u>(3)</u>

10. Other finance costs

	2017 £000	2016 £000
Net interest on net defined benefit liability	<u>(229)</u>	<u>(226)</u>

Notes to the financial statements

For the period ended 30 September 2017

11. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	(159)	-
Adjustments in respect of previous periods	-	51
Total current tax	<u>(159)</u>	<u>51</u>
Deferred tax		
Origination and reversal of timing differences	14	(300)
Total deferred tax	<u>14</u>	<u>(300)</u>
Taxation on loss on ordinary activities	<u>(145)</u>	<u>(249)</u>

Factors affecting tax charge for the period

The tax assessed for the period is the same as (2016: the same as) the standard rate of corporation tax in the UK of 19.5% (2016: 20%) as set out below:

	2017 £000	2016 £000
Loss on ordinary activities before tax	<u>(3,186)</u>	<u>(2,614)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	(621)	(371)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	46	-
Capital allowances for period in excess of depreciation	-	(58)
Fixed asset differences	13	(5)
Adjustments to tax charge in respect of prior periods	-	51
Permanent timing differences	-	52
Short term timing difference leading to an increase (decrease) in taxation	-	9
Chargeable gains/(losses)	183	-
Deferred tax not recognised	207	(21)
Adjust closing deferred tax to average rate	48	-
Adjust opening deferred tax to average rate	(21)	-
Group relief	-	106
Deferred tax movement	-	(12)
Total tax charge for the period	<u>(145)</u>	<u>(249)</u>

Notes to the financial statements

For the period ended 30 September 2017

12. Exceptional items

	2017 £000	2016 £000
Restructuring and business reorganisation costs	345	1,135

13. Tangible fixed assets

	Plant & machinery £000
Cost or valuation	
At 2 October 2016	23,043
Additions	356
At 30 September 2017	23,399
Depreciation	
At 2 October 2016	18,394
Charge for the period on owned assets	816
At 30 September 2017	19,210
Net book value	
At 30 September 2017	4,189
At 1 October 2016	4,649

Included within the net book value of £4,189,000 is £459,000 (2016: £601,000) relating to asset held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £143,000 (2016: £143,000).

Notes to the financial statements

For the period ended 30 September 2017

14. Stocks

	30 September 2017 £000	1 October 2016 £000
Raw materials and consumables	2,356	2,405
Finished goods and goods for resale	4,852	6,612
	<u>7,208</u>	<u>9,017</u>

Stock recognised in cost of sales during the period as an expense was £19,233,000 (2016: £22,371,000).

An impairment loss of £293,000 (2016: £296,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

	30 September 2017 £000	1 October 2016 £000
Trade debtors	5,853	7,600
Amounts owed by group undertakings	294	324
Other debtors	435	348
Tax recoverable	-	201
Deferred taxation	1,178	1,429
	<u>7,760</u>	<u>9,902</u>

An impairment loss of £82,000 loss (2016: £63,000 loss) was recognised against trade debtors.

16. Cash and cash equivalents

	30 September 2017 £000	1 October 2016 £000
Cash at bank and in hand	3,634	2,445

Notes to the financial statements

For the period ended 30 September 2017

17. Creditors: Amounts falling due within one year

	30 September 2017 £000	1 October 2016 £000
Trade creditors	2,816	2,866
Amounts owed to group undertakings	123	180
Other taxation and social security	628	418
Obligations under finance lease and hire purchase contracts	122	122
Accruals and deferred income	1,171	1,167
	<u>4,860</u>	<u>4,753</u>

18. Creditors: Amounts falling due after more than one year

	30 September 2017 £000	1 October 2016 £000
Net obligations under finance leases and hire purchase contracts	<u>253</u>	<u>373</u>

Secured loans

The obligations under finance lease and hire purchase assets are secured against the assets to which they relate.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	30 September 2017 £000	1 October 2016 £000
Within one year	122	122
Between 1-2 years	122	122
Between 2-5 years	131	251
	<u>375</u>	<u>495</u>

Notes to the financial statements

For the period ended 30 September 2017

20. Financial instruments

	30 September 2017 £000	1 October 2016 £000
Financial assets		
Financial assets measured at fair value through profit or loss	3,634	2,445
Financial assets that are debt instruments measured at amortised cost	6,147	7,924
	<u>9,781</u>	<u>10,369</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(4,108)	(4,212)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade debtors and amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings and bank overdrafts.

21. Deferred taxation

	2017 £000
At beginning of year	1,429
Charged to statement of comprehensive income	(251)
At end of year	<u>1,178</u>

The deferred tax asset is made up as follows:

	30 September 2017 £000	1 October 2016 £000
Excess of taxation allowances over depreciation of fixed assets	(81)	(67)
Tax asset on pension liability	1,259	1,496
	<u>1,178</u>	<u>1,429</u>

Notes to the financial statements

For the period ended 30 September 2017

22. Share capital

	30 September 2017 £	1 October 2016 £
Shares classified as equity		
Allotted, called up and fully paid		
37,500 Ordinary shares of £1 each	37,500	37,500

23. Reserves

Share premium account

Excess paid over the value of ordinary shares.

Profit & loss account

Includes all current year and prior periods retained losses.

24. Contingent liabilities

There were no contingent liabilities at 30 September 2017 or 1 October 2016.

25. Capital commitments

There were no contingent liabilities at 30 September 2017 or 1 October 2016.

Notes to the financial statements

For the period ended 30 September 2017

26. Pension commitments

The company operates two defined benefit pension schemes.

The Richard Burbidge Defined Benefit Scheme

The latest actuarial valuation of the scheme was at 5 April 2014 and updated to 30 September 2017, and was carried out by Aon Hewitt, an independent actuary. The actuarial value of the assets at that date was sufficient to cover 82% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The market value of the assets of the scheme was £35.0m at 30 September 2017.

The Atkinson Marketing Defined Benefit Scheme

The latest actuarial valuation of the scheme was at 5 April 2014 and updated to 30 September 2017 and was carried out by Aon Hewitt, an independent actuary. The actuarial value of the assets at that date was sufficient to cover 104% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The market value of the assets of the scheme was £3.0m at 30 September 2017.

Retirement benefits - FRS102 disclosures at 30 September 2017

The present value of the scheme liabilities has been determined using the projected unit method as required by FRS102. The schemes are closed to new entrants and so, under the projected unit method the current service cost will increase as the active members of the scheme approach retirement. As this rate is applied to a salary roll which will decline as members leave or retire, the service cost amount will decline in the long term.

The net position of the two schemes are as follows:

Richard Burbidge defined benefit scheme £7,523,000 liability

Atkinson Marketing defined benefit scheme £117,000 asset

Reconciliation of present value of plan liabilities:

	30 September 2017 £000	1 October 2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	48,994	37,203
Interest cost	1,120	1,396
Actuarial gains/losses	(4,043)	11,334
Benefits paid	(664)	(939)
At the end of the year	45,407	48,994

Notes to the financial statements

For the period ended 30 September 2017

26. Pension commitments (continued)

	30 September 2017 £000	1 October 2016 £000
At the beginning of the year	38,991	31,184
Interest income	891	1,170
Actuarial gains/losses	(1,377)	7,416
Contributions	160	160
Benefits paid	(664)	(939)
At the end of the year	38,001	38,991

	30 September 2017 £000	1 October 2016 £000
Fair value of plan assets	38,001	38,991
Present value of plan liabilities	(45,407)	(48,994)
Net pension scheme liability	(7,406)	(10,003)

The amounts recognised in profit or loss are as follows:

	30 September 2017 £000	1 October 2016 £000
Net Interest cost	(229)	(226)

The amounts recognised in other comprehensive income are as follows:

	30 September 2017 £000	1 October 2016 £000
Actuarial (gains)/losses on plan assets	1,377	(7,416)
Actuarial gains and (losses) on plan liabilities	(4,043)	11,334
Closing defined benefit obligation	(2,666)	3,918

Notes to the financial statements

For the period ended 30 September 2017

26. Pension commitments (continued)

Composition of plan assets

	30 September 2017 £000	1 October 2016 £000
Equities	15,557	15,333
Gifts, Bonds and Savings	17,701	18,884
Alternatives	1,654	1,500
Property	1,561	1,500
Other funds	1,528	1,774
	<u>38,001</u>	<u>38,991</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was losses of £7,046,000 (2016: losses of £9,712,000).

The company expects to contribute £160,000 to its Defined Benefit pension in 2018.

The actual return on scheme assets for the year was a loss of £486,000 (2016: a gain of £8,586,000).

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2017 %	2016 %
Discount rate	2.70	2.30
Future pension increases	3.10	3.00
CPI inflation	2.10	1.90
RPI inflation	3.20	3.00
Mortality rates		
- for a male aged 65 now	22.6	22.1
- at 65 for a male aged 45 now	24.3	24.3
- for a female aged 65 now	24.4	24.1
- at 65 for a female member aged 45 now	26.2	26.4

Notes to the financial statements

For the period ended 30 September 2017

27. Commitments under operating leases

At 30 September 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	30 September 2017 £000	1 October 2016 £000
Not later than 1 year	213	224
Later than 1 year and not later than 5 years	601	663
Later than 5 years	956	1,086
	<u>1,770</u>	<u>1,973</u>

28. Related party transactions

The entity has taken the exemption from disclosing related party transactions with Financial Reporting Standard 102 section 33.

Amounts paid to key management personnel during the year were £829,872 (2016: £906,756).

29. Ultimate parent undertaking and controlling party

The immediate parent company is Ripat Limited, a company incorporated in England and Wales. The companies accounts are available at Companies House.

Richard Burbidge, a director of this company and Ripat Limited, and members of his close family control the group as a result of controlling directly or indirectly 100% of the issues share capital of Ripat Limited.