

COMPANY REGISTRATION NUMBER: 04844708

A. W. Champion Timber Limited
Financial Statements
31 December 2016

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A. W. Champion Timber Limited

Financial Statements

Year ended 31 December 2016

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	7
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Company statement of financial position	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated statement of cash flows	14
Notes to the financial statements	15

A. W. Champion Timber Limited

Officers and Professional Advisers

The board of directors

P.W.A. Champion
M.E. Saunders
S.B.L. Lister (Non-executive Chairman)

Company secretary

S.P. Bowden

Registered office

Champion House
Burlington Road
New Malden
Surrey
KT3 4NB

Auditor

Shipleys LLP
Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

A. W. Champion Timber Limited

Strategic Report

Year ended 31 December 2016

The directors present the strategic report together with their annual report and the audited financial statements for the group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of an investment holding company.

The principal activities of the group are as timber merchants, importers and sellers of allied products.

BUSINESS REVIEW

The directors consider that the business can best be reviewed by the key performance indicators of the group which communicate the financial performance and strength of the group as a whole. These indicators include turnover, pre tax profit and shareholders funds:-

- Turnover increased by £2,069,664 (7.7%) to £29,108,862.
- Gross profit margin has slightly reduced to 43.57% (2015 - 44.83%).
- Pre tax profit decreased by £671,948 (56.7%) to £513,642.
- Net current assets decreased by 15.8% to £5,765,361.
- Shareholders funds increased by £234,405 (2.7%) to £9,040,358 as a result of the profit earned during the year.

The directors are of the opinion that the above figures show that the group has performed well and will continue to monitor the performance of the business going forward using and developing the same principles.

The group benefits from the skill and performance of its management and staff.

The group continued to trade strongly during the year with significant sales growth and increased growth profit.

Pre-tax profit is lower than 2015 as a result of:

- the opening of a new trading outlet in June 2016 in Weybridge
- the comprehensive refurbishment of the head office facilities as part of the business expansion plan
- some operational upgrades

The cash position at the end of the year is down on that for the previous year as a result of the investment referred to above.

The directors are content that the financial strength and liquidity of the group remain strong.

The group continues to explore opportunities for expansion, including the opening of further new trading outlets.

A. W. Champion Timber Limited

Strategic Report *(continued)*

Year ended 31 December 2016

PRINCIPAL RISKS AND UNCERTAINTIES

In the opinion of the directors the principal risks and uncertainties facing the group relate to the economy and its impact on the construction industry.

The construction industry is traditionally one of the first to experience the impact of changes in the wider economic landscape, and depending on which areas of construction are most affected such changes are reflected in the performance of the group.

In order that the group can react in a timely manner to any such changes the group monitors the performance of all aspects of the business on a regular ongoing basis by means of a comprehensive suite of reports that include monthly management accounts and key performance indicators.

FUTURE DEVELOPMENTS

The group is committed to a continuing programme of staff development and training which will help to ensure that customers receive a high level of service.

The directors are continuing to examine new business opportunities and will invest in schemes where they can expect a good return on any investment.

This report was approved by the board of directors on 6 September 2017 and signed on behalf of the board by:



S. P. Bowden
Company Secretary

Registered office:
Champion House
Burlington Road
New Malden
Surrey
KT3 4NB

A. W. Champion Timber Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the group for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

P.W.A. Champion
M.E. Saunders
S.B.L. Lister (Non-executive Chairman)

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Financial risk management objectives and policies

The principal financial instruments of the group comprise bank balances, bank loans, trade debtors, trade creditors and amounts due to related companies. The main purpose of these instruments is to raise funds for the group's operations and to finance the operations of the group.

Credit risk

The group's principal financial assets are bank balances, cash and trade and other debtors. The group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for bad debts. The group has no significant concentration of credit risk, with exposure spread over a large number of customers. Trade debtors are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Cashflow risk

The group currently has no significant foreign exchange exposure, but has processes in place to monitor any such exposures should they arise.

Price risk

Due to the nature of the financial instruments used by the group there is no exposure to price risk caused by financial instruments.

Liquidity risk

For bank balances and loans the liquidity risk is managed by maintaining positive bank balances and only borrowing from the bank in order to help finance potential expansion plans. Trade creditor liquidity risk is managed by regularly checking the financial health of our key suppliers and by ensuring sufficient funds are available to meet amounts that are due for payment and that these are paid promptly. Amounts due to the related companies accrue interest in line with the base rate and are repayable on demand. The companies have common directors who are aware of the group's requirements for finance.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

A. W. Champion Timber Limited

Directors' Report *(continued)*

Year ended 31 December 2016

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, various matters previously dealt with in the Directors' Report are now included in the Strategic Report, including future developments.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

A. W. Champion Timber Limited

Directors' Report *(continued)*

Year ended 31 December 2016

This report was approved by the board of directors on 6 September 2017 and signed on behalf of the board by:



S. P. Bowden
Company Secretary

Registered office:
Champion House
Burlington Road
New Malden
Surrey
KT3 4NB

A. W. Champion Timber Limited

Independent Auditor's Report to the Members of A. W. Champion Timber Limited

Year ended 31 December 2016

We have audited the financial statements of A. W. Champion Timber Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

A. W. Champion Timber Limited

Independent Auditor's Report to the Members of A. W. Champion Timber Limited *(continued)*

Year ended 31 December 2016

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.



Simon Robinson (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered Accountants & statutory auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

15 SEPTEMBER 2017

A. W. Champion Timber Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	29,108,862	27,039,198
Cost of sales		<u>(16,426,577)</u>	<u>(14,916,756)</u>
Gross profit		12,682,285	12,122,442
Administrative expenses		<u>(12,185,258)</u>	<u>(10,957,726)</u>
Operating profit	5	497,027	1,164,716
Interest receivable	9	28,591	34,646
Interest payable	10	<u>(11,976)</u>	<u>(13,772)</u>
Profit before taxation		513,642	1,185,590
Taxation on ordinary activities	11	<u>(67,523)</u>	<u>(267,262)</u>
Profit for the financial year and total comprehensive income		<u>446,119</u>	<u>918,328</u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

A. W. Champion Timber Limited
Consolidated Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	3,677,890	2,450,952
Current assets			
Stocks	15	3,989,133	3,565,733
Debtors	16	1,854,731	1,672,105
Cash at bank and in hand		3,382,247	4,964,928
		<u>9,226,111</u>	<u>10,202,766</u>
Creditors: amounts falling due within one year	17	<u>(3,460,750)</u>	<u>(3,353,092)</u>
Net current assets		<u>5,765,361</u>	<u>6,849,674</u>
Total assets less current liabilities		<u>9,443,251</u>	<u>9,300,626</u>
Creditors: amounts falling due after more than one year	18	(329,309)	(395,213)
Provisions			
Taxation including deferred tax	19	<u>(73,584)</u>	<u>(99,460)</u>
Net assets		<u>9,040,358</u>	<u>8,805,953</u>
Capital and reserves			
Called up share capital	23	652	652
Share premium account	24	32,255	32,255
Profit and loss account	24	<u>9,007,451</u>	<u>8,773,046</u>
Members funds		<u>9,040,358</u>	<u>8,805,953</u>

These financial statements were approved by the board of directors and authorised for issue on ~~6 September 2017~~ and are signed on behalf of the board by:



P.W.A. Champion
Director



S.B.L. Lister (Non-executive Chairman)
Director

Company registration number: 04844708

The notes on pages 15 to 27 form part of these financial statements.

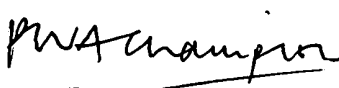
A. W. Champion Timber Limited
Company Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	14	32,581	32,581
Current assets			
Debtors	16	114	114
Cash at bank and in hand		212	212
		<u>326</u>	<u>326</u>
Net current assets		<u>326</u>	<u>326</u>
Total assets less current liabilities		<u>32,907</u>	<u>32,907</u>
Capital and reserves			
Called up share capital	23	652	652
Share premium account	24	32,255	32,255
Members funds		<u>32,907</u>	<u>32,907</u>

The profit for the financial year of the parent company was £211,714 (2015: £205,368).

These financial statements were approved by the board of directors and authorised for issue on 6 September 2017, and are signed on behalf of the board by:


P.W.A. Champion
Director


S.B.L. Lister (Non-executive Chairman)
Director

Company registration number: 04844708

The notes on pages 15 to 27 form part of these financial statements.

A. W. Champion Timber Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2016

		Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015		652	32,255	8,060,086	8,092,993
Profit for the year		—	—	918,328	918,328
Total comprehensive income for the year		—	—	918,328	918,328
Dividends paid and payable	12	—	—	(205,368)	(205,368)
Total investments by and distributions to owners		—	—	(205,368)	(205,368)
At 31 December 2015		652	32,255	8,773,046	8,805,953
Profit for the year		—	—	446,119	446,119
Total comprehensive income for the year		—	—	446,119	446,119
Dividends paid and payable	12	—	—	(211,714)	(211,714)
Total investments by and distributions to owners		—	—	(211,714)	(211,714)
At 31 December 2016		<u>652</u>	<u>32,255</u>	<u>9,007,451</u>	<u>9,040,358</u>

The notes on pages 15 to 27 form part of these financial statements.

A. W. Champion Timber Limited
Company Statement of Changes in Equity
Year ended 31 December 2016

		Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015		652	32,255	–	32,907
Profit for the year		—	—	205,368	205,368
Total comprehensive income for the year		—	—	205,368	205,368
Dividends paid and payable	12	—	—	(205,368)	(205,368)
Total investments by and distributions to owners		—	—	(205,368)	(205,368)
At 31 December 2015		652	32,255	–	32,907
Profit for the year		—	—	211,714	211,714
Total comprehensive income for the year		—	—	211,714	211,714
Dividends paid and payable	12	—	—	(211,714)	(211,714)
Total investments by and distributions to owners		—	—	(211,714)	(211,714)
At 31 December 2016		<u>652</u>	<u>32,255</u>	<u>—</u>	<u>32,907</u>

The notes on pages 15 to 27 form part of these financial statements.

A. W. Champion Timber Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	446,119	918,328
<i>Adjustments for:</i>		
Depreciation of tangible assets	612,457	436,727
Interest receivable	(28,591)	(34,646)
Interest payable	11,976	13,772
Gains on disposal of tangible assets	(38,734)	(11,000)
Taxation on ordinary activities	67,523	267,262
Accrued expenses/(income)	354,596	(40,251)
<i>Changes in:</i>		
Stocks	(423,400)	(235,836)
Trade and other debtors	(182,626)	(203,610)
Trade and other creditors	(114,985)	(85,801)
Cash generated from operations	704,335	1,024,945
Interest paid	(11,976)	(13,772)
Interest received	28,591	34,646
Tax paid	(225,352)	(236,661)
Net cash from operating activities	<u>495,598</u>	<u>809,158</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,839,395)	(626,924)
Proceeds from sale of tangible assets	38,734	11,000
Net cash used in investing activities	<u>(1,800,661)</u>	<u>(615,924)</u>
Cash flows from financing activities		
Proceeds from borrowings	(65,904)	(64,108)
Dividends paid	(211,714)	(205,368)
Net cash used in financing activities	<u>(277,618)</u>	<u>(269,476)</u>
Net decrease in cash and cash equivalents	<u>(1,582,681)</u>	<u>(76,242)</u>
Cash and cash equivalents at beginning of year	<u>4,964,928</u>	<u>5,041,170</u>
Cash and cash equivalents at end of year	<u>3,382,247</u>	<u>4,964,928</u>

The notes on pages 15 to 27 form part of these financial statements.

A. W. Champion Timber Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

A.W. Champion Timber Limited is a private company limited by shares incorporated in the United Kingdom. The address of the registered office is Champion House, Burlington Road, New Malden, Surrey, KT3 4NB.

The principal activity of the company is that of an investment holding company.

The principal activities of the group are as timber merchants, importers and sellers of allied products.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The amounts in the financial statements are presented to the nearest £, unless otherwise stated.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102, in respect of the parent company's individual financial statements only:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary company. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are occasionally required to make judgements, estimates and assumptions where the carrying amounts of assets and liabilities are not otherwise readily apparent. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Where estimates and underlying assumptions have been used, these are reviewed regularly. Any revisions to accounting estimates are recognised in the period in which the estimate is revised.

A key source of estimation uncertainty that has a significant effect on the amounts recognised in the financial statements is stock provision. The provision is made for obsolete or defective items where appropriate during the year end stock takes. A further provision is then applied to write stock down to the estimated net realisable value.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold and long leasehold buildings	-	2.5% straight line
Freehold garages	-	10% straight line
Improvements to premises	-	10% straight line
Computer software and equipment	-	14% and 33% straight line respectively
Motor vehicles	-	25% straight line
Plant and machinery	-	10% straight line
Fixtures and fittings	-	25% straight line
Yard vehicles	-	10% straight line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Trade and other debtors

Trade and other debtors are initially recorded at the transaction price and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, receivables are stated at cost less impairment losses for bad and doubtful debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Trade and other creditors

Trade and other creditors are initially recognised at the transaction price and are thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Defined contribution plans

The subsidiary company operates a money purchase scheme. Contributions payable to the scheme are charged to the Profit and Loss Account in the period to which they relate. These contributions are invested separately from the company's assets.

4. Turnover

Turnover arises from:

	2016 £	2015 £
Sale of goods	<u>29,108,862</u>	<u>27,039,198</u>

The turnover and profit before tax are attributable to the one principal activity of the group and all the turnover arises in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	612,457	436,727
Gains on disposal of tangible assets	(38,734)	(11,000)
Impairment of trade debtors	2,195	15,043
Operating lease rentals	1,354,482	1,205,982
Cost of stock recognised as expense	<u>16,426,577</u>	<u>14,916,756</u>

6. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>23,250</u>	<u>24,750</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>1,475</u>	<u>1,250</u>

7. Particulars of employees

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016 No.	2015 No.
Production staff	153	152
Management staff	60	54
	<u>213</u>	<u>206</u>

A. W. Champion Timber Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2016

7. Particulars of employees *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£	£
Wages and salaries	6,120,150	5,645,547
Social security costs	548,986	516,931
Other pension costs	253,087	264,339
	<u>6,922,223</u>	<u>6,426,817</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	228,843	244,275
Company contributions to defined contribution pension plans	22,369	23,405
	<u>251,212</u>	<u>267,680</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016	2015
	£	£
Aggregate remuneration	131,144	140,229
Company contributions to defined contribution pension plans	11,892	13,858
	<u>143,036</u>	<u>154,087</u>

9. Interest receivable

	2016	2015
	£	£
Interest on cash and cash equivalents	<u>28,591</u>	<u>34,646</u>

10. Interest payable

	2016	2015
	£	£
Interest on banks loans and overdrafts	<u>11,976</u>	<u>13,772</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

11. Taxation on ordinary activities

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax expense	93,399	225,352
Deferred tax:		
Origination and reversal of timing differences	(12,886)	44,863
Impact of change in tax rate	(12,990)	(2,953)
Total deferred tax	(25,876)	41,910
Taxation on ordinary activities	67,523	267,262

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

	2016 £	2015 £
Profit on ordinary activities before taxation	513,642	1,185,590
Profit on ordinary activities by rate of tax	102,728	240,041
Effect of expenses not deductible for tax purposes	(22,215)	30,416
Effect of different UK tax rates on some earnings	(12,990)	(3,195)
Tax on profit	67,523	267,262

12. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2016 £	2015 £
Equity dividends on ordinary shares	211,714	205,368

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

13. Tangible assets

Group	Freehold property £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 Jan 2016	1,607,168	1,190,921	2,494,078	764,520	793,926	6,850,613
Additions	—	1,146,727	249,673	114,798	328,197	1,839,395
Disposals	—	—	(8,500)	—	(198,042)	(206,542)
At 31 Dec 2016	1,607,168	2,337,648	2,735,251	879,318	924,081	8,483,466
Depreciation						
At 1 Jan 2016	503,717	796,933	1,845,271	717,564	536,176	4,399,661
Charge for the year	38,106	201,298	203,859	47,260	121,934	612,457
Disposals	—	—	(8,500)	—	(198,042)	(206,542)
At 31 Dec 2016	541,823	998,231	2,040,630	764,824	460,068	4,805,576
Carrying amount						
At 31 Dec 2016	1,065,345	1,339,417	694,621	114,494	464,013	3,677,890
At 31 Dec 2015	1,103,451	393,988	648,807	46,956	257,750	2,450,952

The company has no tangible assets.

Freehold land and buildings with a carrying amount of £1,065,345 (2015: £1,103,451) have been pledged to secure borrowings of the Group.

14. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 Jan 2016 and 31 Dec 2016	32,581
Impairment	
At 1 Jan 2016 and 31 Dec 2016	—
Carrying amount	
At 1 Jan 2016 and 31 Dec 2016	32,581

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

14. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
A. W. Champion Limited - Timber merchants, importers and sellers of allied products	Ordinary	100

A. W. Champion Limited is incorporated in the United Kingdom and its registered office is is Champion House, Burlington Road, New Malden, Surrey, KT3 4NB.

15. Stocks

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Stock	<u>3,989,133</u>	<u>3,565,733</u>	<u>—</u>	<u>—</u>

16. Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	1,343,223	1,208,700	—	—
Amounts owed by group undertakings	—	—	114	114
Prepayments and accrued income	<u>511,508</u>	<u>463,405</u>	<u>—</u>	<u>—</u>
	<u>1,854,731</u>	<u>1,672,105</u>	<u>114</u>	<u>114</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	77,880	77,880	—	—
Trade creditors	1,350,122	1,430,585	—	—
Accruals and deferred income	1,011,943	657,347	—	—
Corporation tax	93,399	225,352	—	—
Social security and other taxes	785,523	787,068	—	—
Other creditors	<u>141,883</u>	<u>174,860</u>	<u>—</u>	<u>—</u>
	<u>3,460,750</u>	<u>3,353,092</u>	<u>—</u>	<u>—</u>

Bank loans and overdrafts are secured by a legal charge over assets, a guarantee, and cross guarantee and debentures between A. W. Champion Limited and A. W. Champion Timber Limited.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

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

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdrafts	<u>329,309</u>	<u>395,213</u>	<u>—</u>	<u>—</u>

Long term creditors are in respect of a bank loan secured by a legal charge over assets, a guarantee, and cross guarantee and debentures between A. W. Champion Limited and A. W. Champion Timber Limited. The interest charged on the loan is a margin of 2.25% over HSBC's Base rate. Repayment will be in equal monthly instalments of £6,490 and all or part of the loan may be repaid at any time with a penalty fee of 1% of any amount repaid early.

Borrowings are repayable as follows:

Bank loans

	2016	2015
	£	£
Less than one year	77,880	77,880
Between one and two years	77,880	77,880
Between two and five years	233,640	233,640
After five years	17,789	83,693
	<u>407,189</u>	<u>473,093</u>

19. Provisions

Group	Deferred tax (note 20) £
At 1 January 2016	99,460
Charge against provision	(25,876)
At 31 December 2016	<u>73,584</u>

The company does not have any provisions.

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Included in provisions (note 19)	<u>73,584</u>	<u>99,460</u>	<u>—</u>	<u>—</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accelerated capital allowances	<u>73,584</u>	<u>99,460</u>	<u>—</u>	<u>—</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £253,087 (2015: £264,339).

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group	
	2016	2015
	£	£
Trade debtors	<u>1,343,223</u>	<u>1,208,700</u>

Financial liabilities measured at amortised cost

	Group	
	2016	2015
	£	£
Bank loans	407,189	473,093
Trade creditors	<u>1,350,122</u>	<u>1,430,585</u>
	<u>1,757,311</u>	<u>1,903,678</u>

Financial assets measured at amortised cost

	2016	2015
	£	£
Cash at bank and in hand	<u>3,382,247</u>	<u>4,964,928</u>

Income and expenditure incurred in respect of the above financial instruments is disclosed in notes 5, 9 and 10.

23. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>65,162</u>	<u>652</u>	<u>65,162</u>	<u>652</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

24. Reserves

The profit and loss reserve includes all current and prior retained period profits and losses.

The share premium reserve records the amount above the nominal value received for shares sold, less transaction costs.

25. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	1,124,799	1,086,187	—	—
Later than 1 year and not later than 5 years	3,670,539	3,382,257	—	—
Later than 5 years	26,456,571	26,748,656	—	—
	<u>31,251,909</u>	<u>31,217,100</u>	<u>—</u>	<u>—</u>

26. Related party transactions

Group

During the year payments for consultancy of £63,127 (2015: £60,639) were made by A. W. Champion Limited to S.B.L. Lister who was a director of the company.

The subsidiary company, A. W. Champion Limited, rents property from A. W. Champion Properties Limited, whose directors include S. B. L. Lister and P. W. A. Champion who are also directors of A. W. Champion Limited and A. W. Champion Timber Limited. The amount charged by A. W. Champion Properties Limited in respect of the year was £449,300 (2015 : £449,300) and this was paid during the year. Monies held on behalf of A. W. Champion Properties Limited by A. W. Champion Limited at the end of the year amounted to £31,537 (2015 : £75,887).

The total remuneration of directors and other members of key management for the year totalled £728,912 (2015: £772,570).

Company

A. W. Champion Timber Limited did not enter into any related party transactions which require disclosure under FRS 102.

27. Controlling party

During the year, the company was under the control of Mr P.W.A Champion who was the major shareholder.