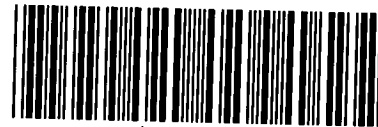


COMPANY REGISTRATION NUMBER: 04844708

A. W. Champion Timber Limited
Financial Statements
31 December 2018

FRIDAY



A8DWDUQG

A19

13/09/2019

#212

COMPANIES HOUSE

A. W. Champion Timber Limited

Financial Statements

Year ended 31 December 2018

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	11
Consolidated statement of financial position	12
Company statement of financial position	13
Consolidated statement of changes in equity	14
Company statement of changes in equity	15
Consolidated statement of cash flows	16
Notes to the financial statements	17

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 2018

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 2017.

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

Throughout 2018 the company has continued its plan of expansion and branch redevelopment to continually improve customer service and enhance profitability in the short to medium term.

Turnover increased by £826,488 (2.8%) and overall gross profit margin held up well at 42.61% (43.39% in 2017).

Despite the costs associated with investing for future growth, pre-tax profit increased by 49.12% to £854,567 and net current assets increased by 9.05% to £6,660,769.

Cash holding at the year end was up by 13.13% at £3,550,198. The total stock value increased by 8.87% to £4,689,888 as a first stage of the build up towards the original March Brexit date.

The directors believe that the company has performed well and that the financial strength and liquidity continue to be robust as illustrated by the Net current assets at the year end of £6,660,769.

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

- Turnover increased by £826,488 (2.8%) to £30,268,739.
- Pre-tax profit increased by £281,506 (49.12%) to £854,567.
- Shareholders funds increased by £669,012 (7.05%) to £10,147,237 as a result of the profit earned during the year.

The directors are of the opinion that the above figures show that the company has performed well and will continue to monitor the performance of the business going forward using and developing the same principles. The company intends to steadily increase the turnover over the coming years while maintaining the gross profit margin at a similar level.

PRINCIPAL RISKS AND UNCERTAINTIES

In the opinion of the directors the principal risks and uncertainties that could affect the group's future growth plans relate to the UK economy and particularly at this time Brexit, which continues to create uncertainty in the construction industry and the wider economy.

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.

A. W. Champion Timber Limited

Strategic Report *(continued)*

Year ended 31 December 2018

This report was approved by the board of directors on 30 August 2019 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 2018

The directors present their report and the financial statements of the group for the year ended 31 December 2018.

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

The directors do not recommend the payment of a dividend.

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 2018

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 2018

This report was approved by the board of directors on 30 August 2019 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 2018

Opinion

We have audited the financial statements of A. W. Champion Timber Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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.

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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

A. W. Champion Timber Limited

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

Year ended 31 December 2018

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

A. W. Champion Timber Limited

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

Year ended 31 December 2018

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

A. W. Champion Timber Limited

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

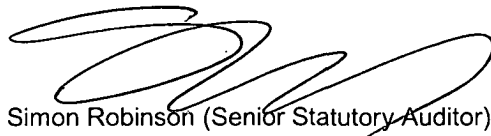
Year ended 31 December 2018

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.



Simon Robinson (Senior Statutory Auditor)

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

10 Orange Street
Haymarket
London
WC2H 7DQ

10 September 2019

A. W. Champion Timber Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	30,268,739	29,442,251
Cost of sales		<u>(17,372,138)</u>	<u>(16,666,466)</u>
Gross profit		12,896,601	12,775,785
Administrative expenses		<u>(12,054,285)</u>	<u>(12,209,007)</u>
Operating profit	5	842,316	566,778
Interest receivable	9	20,909	16,289
Interest payable	10	<u>(8,658)</u>	<u>(10,006)</u>
Profit before taxation		854,567	573,061
Taxation on ordinary activities	11	<u>(185,555)</u>	<u>(135,194)</u>
Profit for the financial year and total comprehensive income		<u>669,012</u>	<u>437,867</u>

All the activities of the group are from continuing operations.

The notes on pages 17 to 28 form part of these financial statements.

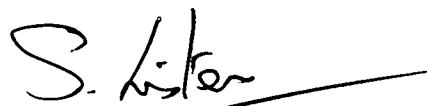
A. W. Champion Timber Limited
Consolidated Statement of Financial Position
31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	3,732,596	3,694,924
Current assets			
Stocks	14	4,689,888	4,307,744
Debtors	15	1,944,972	1,881,334
Cash at bank and in hand		3,550,198	3,138,211
		<u>10,185,058</u>	<u>9,327,289</u>
Creditors: amounts falling due within one year	16	<u>(3,524,289)</u>	<u>(3,219,299)</u>
Net current assets		<u>6,660,769</u>	<u>6,107,990</u>
Total assets less current liabilities		<u>10,393,365</u>	<u>9,802,914</u>
Creditors: amounts falling due after more than one year	17	(192,213)	(261,435)
Provisions			
Taxation including deferred tax	18	<u>(53,915)</u>	<u>(63,254)</u>
Net assets		<u><u>10,147,237</u></u>	<u><u>9,478,225</u></u>
Capital and reserves			
Called up share capital	22	652	652
Share premium account	23	32,255	32,255
Profit and loss account	23	10,114,330	9,445,318
Shareholders funds		<u><u>10,147,237</u></u>	<u><u>9,478,225</u></u>

These financial statements were approved by the board of directors and authorised for issue on 30 August 2019, 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 17 to 28 form part of these financial statements.

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

31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	13	32,581	32,581
Current assets			
Debtors	15	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><u>32,907</u></u>	<u><u>32,907</u></u>
Capital and reserves			
Called up share capital	22	652	652
Share premium account	23	32,255	32,255
Shareholders funds		<u><u>32,907</u></u>	<u><u>32,907</u></u>

The profit for the financial year of the parent company was £Nil (2017: £Nil).

These financial statements were approved by the board of directors and authorised for issue on ~~30 August 2019~~, 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 17 to 28 form part of these financial statements.

A. W. Champion Timber Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2017	652	32,255	9,007,451	9,040,358
Profit for the year	—	—	437,867	437,867
Total comprehensive income for the year	—	—	437,867	437,867
At 31 December 2017	652	32,255	9,445,318	9,478,225
Profit for the year	—	—	669,012	669,012
Total comprehensive income for the year	—	—	669,012	669,012
At 31 December 2018	<u>652</u>	<u>32,255</u>	<u>10,114,330</u>	<u>10,147,237</u>

The notes on pages 17 to 28 form part of these financial statements.

A. W. Champion Timber Limited
Company Statement of Changes in Equity
Year ended 31 December 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2017	652	32,255	—	32,907
Profit for the year			—	—
At 31 December 2017	652	32,255	—	32,907
Profit for the year			—	—
At 31 December 2018	<u>652</u>	<u>32,255</u>	<u>—</u>	<u>32,907</u>

The notes on pages 17 to 28 form part of these financial statements.

A. W. Champion Timber Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	669,012	437,867
<i>Adjustments for:</i>		
Depreciation of tangible assets	680,139	609,238
Interest receivable	(20,909)	(16,289)
Interest payable	8,658	10,006
Gains on disposal of tangible assets	(18,068)	(4,155)
Taxation on ordinary activities	185,555	135,194
Accrued expenses/(income)	41,528	(359,292)
<i>Changes in:</i>		
Stocks	(382,144)	(318,611)
Trade and other debtors	(63,638)	(26,603)
Trade and other creditors	214,092	65,716
Cash generated from operations	1,314,225	533,071
Interest paid	(8,658)	(10,006)
Interest received	20,909	16,289
Tax paid	(145,524)	(93,399)
Net cash from operating activities	<u>1,180,952</u>	<u>445,955</u>
Cash flows from investing activities		
Purchase of tangible assets	(717,811)	(641,093)
Proceeds from sale of tangible assets	18,068	18,976
Net cash used in investing activities	<u>(699,743)</u>	<u>(622,117)</u>
Cash flows from financing activities		
Proceeds from borrowings	(69,222)	(67,874)
Net cash used in financing activities	<u>(69,222)</u>	<u>(67,874)</u>
Net increase/(decrease) in cash and cash equivalents	411,987	(244,036)
Cash and cash equivalents at beginning of year	3,138,211	3,382,247
Cash and cash equivalents at end of year	<u>3,550,198</u>	<u>3,138,211</u>

The notes on pages 17 to 28 form part of these financial statements.

A. W. Champion Timber Limited

Notes to the Financial Statements

Year ended 31 December 2018

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 parent company.
- (c) Disclosures in respect of financial instruments have not been presented for the parent company.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel for the parent company.

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 2018

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.

Tangible assets

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

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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.

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.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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.

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 and 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.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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.

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:

	2018 £	2017 £
Sale of goods	<u>30,268,739</u>	<u>29,442,251</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/crediting:

	2018 £	2017 £
Depreciation of tangible assets	680,139	609,238
Gains on disposal of tangible assets	(18,068)	(4,155)
Impairment of trade debtors	19,884	33,575
Operating lease rentals	1,492,970	1,468,504
Cost of stock recognised as expense	<u>17,372,137</u>	<u>16,666,467</u>

6. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	<u>23,250</u>	<u>23,250</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>4,235</u>	<u>4,235</u>

7. Particulars of employees

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

	2018 No.	2017 No.
Production staff	142	157
Management staff	<u>64</u>	<u>61</u>
	<u>206</u>	<u>218</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

7. Particulars of employees *(continued)*

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

	2018	2017
	£	£
Wages and salaries	6,081,486	6,049,066
Social security costs	587,625	580,794
Other pension costs	260,235	267,572
	<u>6,929,346</u>	<u>6,897,432</u>

The company did not have any employees during the current or prior year.

8. Directors' remuneration

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

	2018	2017
	£	£
Remuneration	245,184	230,700
Company contributions to defined contribution pension plans	10,490	10,490
	<u>255,674</u>	<u>241,190</u>

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

	2018 No.	2017 No.
Defined contribution plans	<u>1</u>	<u>1</u>

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

	2018	2017
	£	£
Aggregate remuneration	<u>144,760</u>	<u>136,701</u>

9. Interest receivable

	2018	2017
	£	£
Interest on cash and cash equivalents	<u>20,909</u>	<u>16,289</u>

10. Interest payable

	2018	2017
	£	£
Interest on banks loans and overdrafts	<u>8,658</u>	<u>10,006</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

11. Taxation on ordinary activities

Major components of tax income

	2018 £	2017 £
Current tax:		
UK current tax income	194,894	145,524
Deferred tax:		
Origination and reversal of timing differences	(10,438)	(7,067)
Impact of change in tax rate	1,099	(3,263)
Total deferred tax	(9,339)	(10,330)
Taxation on ordinary activities	185,555	135,194

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £	2017 £
Profit on ordinary activities before taxation	854,567	573,061
Profit on ordinary activities by rate of tax	162,368	110,295
Effect of expenses not deductible for tax purposes	22,088	28,162
Effect of different UK tax rates on some earnings	1,099	(3,263)
Tax on profit	185,555	135,194

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

12. Tangible assets

Group	Freehold property £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 Jan 2018	1,607,168	2,534,573	2,840,746	896,827	1,054,937	8,934,251
Additions	–	408,057	64,867	197,387	47,500	717,811
Disposals	–	–	–	–	(58,500)	(58,500)
At 31 Dec 2018	<u>1,607,168</u>	<u>2,942,630</u>	<u>2,905,613</u>	<u>1,094,214</u>	<u>1,043,937</u>	<u>9,593,562</u>
Depreciation						
At 1 Jan 2018	579,929	1,178,621	2,128,093	817,316	535,368	5,239,327
Charge for the year	38,106	223,685	198,714	89,964	129,670	680,139
Disposals	–	–	–	–	(58,500)	(58,500)
At 31 Dec 2018	<u>618,035</u>	<u>1,402,306</u>	<u>2,326,807</u>	<u>907,280</u>	<u>606,538</u>	<u>5,860,966</u>
Carrying amount						
At 31 Dec 2018	<u>989,133</u>	<u>1,540,324</u>	<u>578,806</u>	<u>186,934</u>	<u>437,399</u>	<u>3,732,596</u>
At 31 Dec 2017	<u>1,027,239</u>	<u>1,355,952</u>	<u>712,653</u>	<u>79,511</u>	<u>519,569</u>	<u>3,694,924</u>

The company has no tangible assets.

Freehold land and buildings with a carrying amount of £989,133 (2017: £1,027,239) have been pledged to secure borrowings of the Company.

13. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 January 2018 and 31 December 2018	<u>32,581</u>
Impairment	
At 1 January 2018 and 31 December 2018	<u>–</u>
Carrying amount	
At 1 January 2018 and 31 December 2018	<u>32,581</u>
At 31 December 2017	<u>32,581</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

13. 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 Champion House, Burlington Road, New Malden, Surrey, KT3 4NB.

14. Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Stock	<u>4,689,888</u>	<u>4,307,744</u>	<u>—</u>	<u>—</u>

15. Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	1,476,072	1,363,930	—	—
Amounts owed by group undertakings	—	—	114	114
Prepayments and accrued income	<u>468,900</u>	<u>517,404</u>	<u>—</u>	<u>—</u>
	<u>1,944,972</u>	<u>1,881,334</u>	<u>114</u>	<u>114</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	77,880	77,880	—	—
Trade creditors	1,380,037	1,355,678	—	—
Accruals and deferred income	694,179	652,651	—	—
Corporation tax	194,894	145,524	—	—
Social security and other taxes	935,360	825,429	—	—
Other creditors	<u>241,939</u>	<u>162,137</u>	<u>—</u>	<u>—</u>
	<u>3,524,289</u>	<u>3,219,299</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 2018

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	<u>192,213</u>	<u>261,435</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

	2018	2017
	£	£
Less than one year	77,880	77,880
Between one and two years	77,880	77,880
Between two and five years	183,555	233,640
After five years	-	17,789
	<u>339,315</u>	<u>407,189</u>

18. Provisions

Group	Deferred tax (note 19) £
At 1 January 2018	63,254
Charge against provision	(9,339)
At 31 December 2018	<u>53,915</u>

The company does not have any provisions.

19. Deferred tax

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Included in provisions (note 18)	<u>53,915</u>	<u>63,254</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Accelerated capital allowances	<u>53,915</u>	<u>63,254</u>	<u>-</u>	<u>-</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £249,745 (2017: £257,082).

21. 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	
	2018	2017
	£	£
Trade debtors	<u>1,476,072</u>	<u>1,363,930</u>

Financial liabilities measured at amortised cost

	Group	
	2018	2017
	£	£
Bank loans	270,093	339,315
Trade creditors	<u>1,380,037</u>	<u>1,355,678</u>
	<u>1,650,130</u>	<u>1,694,993</u>

Financial assets measured at amortised cost

	2018	2017
	£	£
Cash at bank and in hand	<u>3,550,198</u>	<u>3,138,211</u>

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

22. Called up share capital

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>65,162</u>	<u>651.62</u>	<u>65,162</u>	<u>651.62</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 2018

23. 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.

24. Commitments under operating leases

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Not later than 1 year	1,427,170	1,404,523	–	–
Later than 1 year and not later than 5 years	4,360,793	4,645,847	–	–
Later than 5 years	33,155,580	32,829,856	–	–
	<u>38,943,543</u>	<u>38,880,226</u>	<u>–</u>	<u>–</u>

25. Related party transactions

Group

During the year payments for consultancy of £33,802 (2017: £50,205) were made by A. W. Champion Limited to S.B.L. Lister who was a director of the company. There were no amounts outstanding at the year end (2017: £nil).

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 £495,700 (2017: £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 £120,280 (2017 : £60,473).

During the year, A. W. Champion Limited charged A. W. Champion Properties Limited management charges of £9,761 (2017: £8,792).

The total remuneration of directors and other members of key management for the year totalled £837,876 (2017: £825,841). The amount outstanding at year end was £nil (2017: £nil).

Company

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

26. Controlling party

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