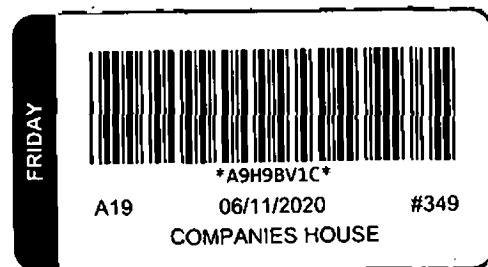


COMPANY REGISTRATION NUMBER: 04844708

A. W. Champion Timber Limited
Financial Statements
31 December 2019



A. W. Champion Timber Limited

Financial Statements

Year ended 31 December 2019

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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 2019

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 2019.

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 2019 the company has continued its plan to continually improve customer service and enhance profitability in the short to medium term.

Turnover increased by £433,593 (1.4%) and overall gross profit margin held up well at 42.32% (42.61% in 2018).

Pre-tax profit decreased by 4.35% to £817,436 and net current assets increased by 13% to £7,545,282.

Cash holding at the year-end was up by 9.4% at £3,883,179. The total stock value was maintained within 0.2% at £4,680,309 as part of the company's preparation for leaving the EU.

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 £7,546,282.

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 £433,593 (1.6%) to £30,702,332.

- Pre-tax profit decreased by £37,131 (4.35%) to £817,436.

- Shareholders funds increased by £632,872 (6.24%) to £10,780,109 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 company's future growth plans relate to the UK economy and particularly at this time Brexit and COVID-19, which continues to create uncertainty in the construction industry and the wider economy.

The directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic, but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. However, based on a review of the activities of the Group and Company to date, the current working capital position of the Group and Company and the ability to reduce certain costs in the short term, the directors currently believe that this risk can be managed for the year ahead. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

FUTURE DEVELOPMENTS

The company 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 2019

This report was approved by the board of directors on 29 October 2020 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 2019

The directors present their report and the financial statements of the group for the year ended 31 December 2019.

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)

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.

The directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic, but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. However, based on a review of the activities of the Company to date and the current working capital position of the Group and Company, the directors currently believe that this risk can be managed for the year ahead. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

A. W. Champion Timber Limited

Directors' Report *(continued)*

Year ended 31 December 2019

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 2019

This report was approved by the board of directors on 29 October 2020 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 2019

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 2019 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 2019 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the consolidated financial statements. All of these depend on assessments of the future economic environment and the Group and company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

A. W. Champion Timber Limited

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

Year ended 31 December 2019

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 consolidated financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group and company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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.

A. W. Champion Timber Limited

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

Year ended 31 December 2019

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

A. W. Champion Timber Limited

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

Year ended 31 December 2019

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

21/11/20

A. W. Champion Timber Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	30,702,332	30,268,739
Cost of sales		(17,710,061)	(17,372,138)
Gross profit		12,992,271	12,896,601
Administrative expenses		(12,197,491)	(12,054,285)
Operating profit	5	794,780	842,316
Interest receivable	9	29,816	20,909
Interest payable	10	(7,160)	(8,658)
Profit before taxation		817,436	854,567
Taxation on ordinary activities	11	(184,564)	(185,555)
Profit for the financial year and total comprehensive income		632,872	669,012

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 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	3,380,024	3,732,596
Current assets			
Stocks	14	4,680,309	4,689,888
Debtors	15	1,777,049	1,944,972
Cash at bank and in hand		3,883,391	3,550,198
		<u>10,340,749</u>	<u>10,185,058</u>
Creditors: amounts falling due within one year	16	<u>(2,794,467)</u>	<u>(3,524,289)</u>
Net current assets		<u>7,546,282</u>	<u>6,660,769</u>
Total assets less current liabilities		<u>10,926,306</u>	<u>10,393,365</u>
Creditors: amounts falling due after more than one year	17	(121,493)	(192,213)
Provisions			
Taxation including deferred tax	18	(24,704)	(53,915)
Net assets		<u>10,780,109</u>	<u>10,147,237</u>
Capital and reserves			
Called up share capital	22	652	652
Share premium account	23	32,255	32,255
Profit and loss account	23	10,747,202	10,114,330
Shareholders' funds		<u>10,780,109</u>	<u>10,147,237</u>

These financial statements were approved by the board of directors and authorised for issue on ~~19 October 2020~~ and are signed on behalf of the board by:



P W A Champion
Director

Company registration number: 04844708

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

31 December 2019

	Note	2019 £	2018 £
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>32,907</u>	<u>32,907</u>
Capital and reserves			
Called up share capital	22	652	652
Share premium account	23	32,255	32,255
Shareholders' funds		<u>32,907</u>	<u>32,907</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The result after tax of the parent Company for the year was £nil (2018: £nil).

These financial statements were approved by the board of directors and authorised for issue on 29 October 2020, and are signed on behalf of the board by:



P W A Champion
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 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2018	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	652	32,255	10,114,330	10,147,237
Profit for the year	—	—	632,872	632,872
Total comprehensive income for the year	—	—	632,872	632,872
At 31 December 2019	<u>652</u>	<u>32,255</u>	<u>10,747,202</u>	<u>10,780,109</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 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2018	652	32,255	–	32,907
Profit for the year			–	–
At 31 December 2018	652	32,255	–	32,907
Profit for the year			–	–
At 31 December 2019	<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 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	632,872	669,012
<i>Adjustments for:</i>		
Depreciation of tangible assets	695,449	680,139
Interest receivable	(29,816)	(20,909)
Interest payable	7,160	8,658
Gains on disposal of tangible assets	(14,942)	(18,068)
Taxation on ordinary activities	184,564	185,555
Accrued (income)/expenses	(160,839)	41,528
<i>Changes in:</i>		
Stocks	9,579	(382,144)
Trade and other debtors	167,923	(63,638)
Trade and other creditors	(587,864)	214,092
Cash generated from operations	<u>904,086</u>	<u>1,314,225</u>
Interest paid	(7,160)	(8,658)
Interest received	29,816	20,909
Tax paid	(194,894)	(145,524)
Net cash from operating activities	<u><u>731,848</u></u>	<u><u>1,180,952</u></u>
Cash flows from investing activities		
Purchase of tangible assets	(351,152)	(717,811)
Proceeds from sale of tangible assets	23,217	18,068
Net cash used in investing activities	<u><u>(327,935)</u></u>	<u><u>(699,743)</u></u>
Cash flows from financing activities		
Proceeds from borrowings	(70,720)	(69,222)
Net cash used in financing activities	<u><u>(70,720)</u></u>	<u><u>(69,222)</u></u>
Net increase in cash and cash equivalents	333,193	411,987
Cash and cash equivalents at beginning of year	3,550,198	3,138,211
Cash and cash equivalents at end of year	<u><u>3,883,391</u></u>	<u><u>3,550,198</u></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 2019

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 and principal place of business 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 directors have considered the basis of preparation of the financial statements and have concluded that it is appropriate to prepare these on the going concern basis. This assessment is based on the Group and company's position and performance and its forecasts showing sufficient funds in the Group and Company to enable the Group Company to manage its liabilities as they fall due for a period of not less than 12 months of the approval of the financial statements.

The directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic, but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. However, based on a review of the activities of the Company to date and the current working capital position of the Group and Company, the directors currently believe that this risk can be managed for the year ahead. The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements.

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.

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

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.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors occasionally 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 and represents amounts receivable for the manufacture and distribution of timber products, stated net of discounts and of Value Added Tax.

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 2019

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.

Stocks

Stocks are measured at the lower of cost and estimated selling price. 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 2019

3. Accounting policies *(continued)*

Provisions (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 recorded at the transaction price 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 2019

3. Accounting policies (continued)

Financial Instruments (continued)

Trade and other creditors

Trade and other creditors are recognised at the transaction price.

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:

	2019 £	2018 £
Sale of goods	<u>30,702,332</u>	<u>30,268,739</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):

	2019 £	2018 £
Depreciation of tangible assets	695,449	680,139
Gains on disposal of tangible assets	(14,942)	(18,068)
Impairment of trade debtors	7,037	19,884
Operating lease rentals	1,526,561	1,492,970
Cost of stock recognised as expense	<u>17,710,060</u>	<u>17,372,137</u>

6. Auditor's remuneration

	2019 £	2018 £
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 and key management personnel, amounted to:

	2019 No.	2018 No.
Production staff	140	142
Management staff	<u>66</u>	<u>64</u>
	<u>206</u>	<u>206</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

7. Particulars of employees *(continued)*

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

	2019 £	2018 £
Wages and salaries	6,211,972	6,081,486
Social security costs	602,857	587,625
Other pension costs	295,612	260,235
	<u>7,110,441</u>	<u>6,929,346</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:

	2019 £	2018 £
Remuneration	239,388	245,184
Company contributions to defined contribution pension plans	9,104	10,490
	<u>248,492</u>	<u>255,674</u>

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

	2019 No.	2018 No.
Defined contribution plans	<u>1</u>	<u>1</u>

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

	2019 £	2018 £
Aggregate remuneration	<u>143,159</u>	<u>144,760</u>

9. Interest receivable

	2019 £	2018 £
Interest on cash and cash equivalents	<u>29,816</u>	<u>20,909</u>

10. Interest payable

	2019 £	2018 £
Interest on banks loans and overdrafts	<u>7,160</u>	<u>8,658</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

11. Taxation on ordinary activities

Major components of tax income

	2019 £	2018 £
Current tax:		
UK current tax income	213,775	194,894
Deferred tax:		
Origination and reversal of timing differences	(36,466)	(10,438)
Impact of change in tax rate	7,255	1,099
Total deferred tax	(29,211)	(9,339)
Taxation on ordinary activities	184,564	185,555

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	817,436	854,567
Profit on ordinary activities by rate of tax	155,313	162,368
Effect of expenses not deductible for tax purposes	21,996	22,088
Effect of different UK tax rates on some earnings	7,255	1,099
Tax on profit	184,564	185,555

12. Tangible assets

Group	Freehold property £	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 Jan 2019	1,607,168	2,942,630	2,905,613	1,094,214	1,043,937	9,593,562
Additions	—	125,158	85,645	15,686	124,663	351,152
Disposals	—	—	(303,987)	(337,368)	(126,833)	(768,188)
At 31 Dec 2019	1,607,168	3,067,788	2,687,271	772,532	1,041,767	9,176,526
Depreciation						
At 1 Jan 2019	618,035	1,402,306	2,326,807	907,280	606,538	5,860,966
Charge for the year	38,106	232,431	196,189	86,342	142,381	695,449
Disposals	—	—	(303,987)	(337,368)	(118,558)	(759,913)
At 31 Dec 2019	656,141	1,634,737	2,219,009	656,254	630,361	5,796,502
Carrying amount						
At 31 Dec 2019	951,027	1,433,051	468,262	116,278	411,406	3,380,024
At 31 Dec 2018	989,133	1,540,324	578,806	186,934	437,399	3,732,596

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

12. Tangible assets *(continued)*

The company has no tangible assets.

Freehold land and buildings with a carrying amount of £951,027 (2018: £989,133) 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 2019 and 31 December 2019	<u>32,581</u>
Impairment	
At 1 January 2019 and 31 December 2019	<u>—</u>
Carrying amount	
At 1 January 2019 and 31 December 2019	<u>32,581</u>
At 31 December 2018	<u>32,581</u>

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 and principal place of business is Champion House, Burlington Road, New Malden, Surrey, KT3 4NB.

The net assets of A. W. Champion as at the reporting date amounted to £10,779,783 and the entity made a profit for the period of £632,872.

14. Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Stock	<u>4,680,309</u>	<u>4,689,888</u>	<u>—</u>	<u>—</u>

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

15. Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	1,306,101	1,476,072	–	–
Amounts owed by group undertakings	–	–	114	114
Prepayments and accrued income	470,948	468,900	–	–
	<u>1,777,049</u>	<u>1,944,972</u>	<u>114</u>	<u>114</u>

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

16. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts	77,880	77,880	–	–
Trade creditors	1,447,817	1,380,037	–	–
Accruals and deferred income	533,340	694,179	–	–
Corporation tax	213,775	194,894	–	–
Social security and other taxes	237,589	935,360	–	–
Other creditors	284,066	241,939	–	–
	<u>2,794,467</u>	<u>3,524,289</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.

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

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts	<u>121,493</u>	<u>192,213</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

	2019	2018
	£	£
Less than one year	77,880	77,880
Between one and two years	77,880	77,880
Between two and five years	43,613	114,333
	<u>199,373</u>	<u>270,093</u>

A. W. Champion Timber Limited
Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

18. Provisions

Group	Deferred tax (note 19) £
At 1 January 2019	53,915
Charge against provision	<u>(29,211)</u>
At 31 December 2019	<u>24,704</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	
	2019	2018	2019	2018
	£	£	£	£
Included in provisions (note 18)	<u>24,704</u>	<u>53,915</u>	<u>—</u>	<u>—</u>

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

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Accelerated capital allowances	<u>24,704</u>	<u>53,915</u>	<u>—</u>	<u>—</u>

20. Employee benefits

Defined contribution plans

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £295,612 (2019: £260,235). Contributions totalling £27,090 (2019: £24,401) were payable to the fund at the reporting date.

21. Financial instruments

Financial instruments measured at amortised cost are as follows:

	Group 2019 £	Group 2018 £
Financial assets measured at amortised cost		
Cash at bank and in hand	3,883,391	3,550,198
Trade and other debtors	<u>1,777,049</u>	<u>1,994,972</u>
	5,660,440	5,545,170
Financial liabilities measured at amortised cost		
Bank loans	199,373	270,093
Trade and other creditors	<u>2,265,277</u>	<u>2,316,155</u>
	2,464,650	2,586,248

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

A. W. Champion Timber Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

22. Called up share capital

Issued, called up and fully paid

	2019		2018	
	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.

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	
	2019	2018	2019	2018
	£	£	£	£
Not later than 1 year	1,403,525	1,427,170	—	—
Later than 1 year and not later than 5 years	4,219,112	4,360,793	—	—
Later than 5 years	<u>32,189,224</u>	<u>33,155,580</u>	<u>—</u>	<u>—</u>
	<u>37,811,861</u>	<u>38,943,543</u>	<u>—</u>	<u>—</u>

25. Contingencies

As at 31 December 2019, the Group had no contingencies or charges over assets in place.

26. Other financial commitments

As at 31 December 2019, the Group had no other capital commitments or contracts for capital expenditure in place in current or previous year.

27. Related party transactions

Group

During the year payments for consultancy of £36,230 (2018: £33,802) were made to S B L Lister who was a director of the company. There were no amounts outstanding at the year-end (2018: £nil).

The company rents property from A. W. Champion Properties Limited, whose directors are S B L Lister and P W A Champion and who are also directors of A. W. Champion Limited. The amount charged by A. W. Champion Properties Limited in respect of the year was £495,700 (2018: £495,700) and this was paid during the year. Monies held on behalf of A. W. Champion Properties Limited at the end of the year amounted to £176,154 (2018: £120,280).

A. W. Champion Timber Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2019

25. Related party transactions *(continued)*

Group

During the year, the company charged A. W. Champion Properties Limited administration charges of £9,148 (2018: £8,968).

The total remuneration of directors and other members of key management for the year totalled £806,581 (2018: £837,876).

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.