

Registered number: 00365289

PALMER TIMBER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 30 September 2015



PALMER TIMBER LIMITED

COMPANY INFORMATION

DIRECTORS	P. W. Kerr R. H. Palmer S. Russ P. E. Hill I. J. A. Cox K. F. Edmonds
COMPANY SECRETARY	S. Russ
REGISTERED NUMBER	00365289
REGISTERED OFFICE	Granville Works Station Road Cradley Heath West Midlands B64 6PW
INDEPENDENT AUDITORS	Crowe Clark Whitehill LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG
BANKERS	HSBC Bank plc Junction 2 M54 3 Trinity Court Broadlands Wolverhampton WV10 6UH

PALMER TIMBER LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8 - 9
Notes to the financial statements	10 - 29

The following pages do not form part of the statutory financial statements:

Detailed profit and loss account and summaries

PALMER TIMBER LIMITED

STRATEGIC REPORT For the Year Ended 30 September 2015

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The business generated increased sales and profit during the year. A pre-tax profit of £617,442 was recorded, which compares favourably to the reported prior year loss (restated) of £356,859. Prior year figures have been restated due to the first time adoption of FRS102, and therefore comparatives are influenced by this change.

Sales Revenue increased by £2,109,560 (9.3%) over the period to £24,771,922. Gross Profit as a percentage of sales increased to 17.0% from 15.9% the previous year. Sales revenue and gross profit are felt by the directors to be key performance indicators as they allow performance to be monitored before considering staffing and overhead costs.

The increase in net borrowings of £2.1m reflects several factors, including an acceleration in VAT payments of £0.6m due to the introduction of monthly payments to HMRC by virtue that the Company has been reclassified as a large payer. There was also substantial expenditure on capital projects during the year, including site improvement and redevelopment. Overall, cash management has remained comfortably within borrowing facilities.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the overall market for timber is mature, the outlook for its continued use as a product in various applications is extremely positive over the short, medium and long term. As such, the most significant risk faced by the business continues to be related to the condition of the general economic environment.

Economic conditions for the year under review were reasonably settled, although at the start of the new year there have been signs of increased volatility, with projections of lower growth in world economies, increased political tensions, and the uncertainty raised by the forthcoming referendum on UK membership of the European Union. Against these risks and uncertainties, the Company will remain vigilant in assessing signs of the effect changing circumstances have on its business model, and will act accordingly to offset or mitigate its impact.

The Company will therefore maintain its focus on the medium to long-term through a strategy of increasing market share through excellence in innovation and quality, whilst ensuring tight control remains over costs and management of cash, and whilst endeavouring to do this at all times within an environment that is safe for its employees and others with whom it comes into contact. The Directors remain confident that this strategy will deliver long term prosperity.

This report was approved by the board on

25 May 2016

and signed on its behalf.


S. Russ
Director

PALMER TIMBER LIMITED

DIRECTORS' REPORT
For the Year Ended 30 September 2015

FUTURE DEVELOPMENTS

The business is focused on identifying and pursuing added value opportunities. To this end future developments will include:

- Operating in segments of existing markets where the company is most able to leverage its skills and capabilities
- Exploring opportunities for investment in machinery, systems and processes that enhance efficiency and bring improvements for the health and safety of our employees, customers, suppliers, contractors and other visitors; and
- Investigating added value opportunities through innovation in traditional timber markets.

MATTERS COVERED IN THE STRATEGIC REPORT

The business review, principal risks and uncertainties and financial key performance indicators are not included in the Directors' Report as they are covered in the Group Strategic Report as required under s414C of the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

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

AUDITORS

The auditors, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 May 2016 and signed on its behalf.


S. Russ
Director

PALMER TIMBER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALMER TIMBER LIMITED

We have audited the financial statements of Palmer Timber Limited for the year ended 30 September 2015, set out on pages 6 to 29. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

PALMER TIMBER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALMER TIMBER LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Helen Drew (Senior statutory auditor)

for and on behalf of
Crowe Clark Whitehill LLP

Statutory Auditor

Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

26 May 2016

PALMER TIMBER LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 September 2015

	Note	2015 £	2014 £
Turnover		24,771,922	22,662,362
Cost of sales		(20,551,200)	(19,059,150)
Gross profit		4,220,722	3,603,212
Distribution costs		(2,054,223)	(1,808,840)
Administrative expenses		(1,362,310)	(2,046,610)
Operating profit/(loss)		804,189	(252,238)
Income from fixed assets investments		-	56,855
Interest payable and expenses	9	(186,747)	(161,476)
Profit/(loss) before tax		617,442	(356,859)
Tax on profit/(loss)	10	(138,346)	74,696
Profit/(loss) for the year		479,096	(282,163)
Other comprehensive income for the year			
Total comprehensive income for the year		479,096	(282,163)

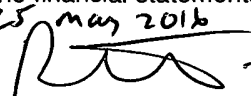
The notes on pages 10 to 29 form part of these financial statements.

PALMER TIMBER LIMITED
Registered number:00365289

BALANCE SHEET
As at 30 September 2015

		2015	2014
	Note	£	£
Fixed assets			
Tangible assets	12	4,232,358	3,730,523
Investments	13	-	730,000
		<u>4,232,358</u>	<u>4,460,523</u>
Current assets			
Stocks	14	4,191,270	4,124,286
Debtors: amounts falling due within one year	15	5,938,158	4,756,460
Cash at bank and in hand	16	464	59
		<u>10,129,892</u>	<u>8,880,805</u>
Creditors: amounts falling due within one year	17	(10,760,813)	(9,191,678)
Net current liabilities		<u>(630,921)</u>	<u>(310,873)</u>
Total assets less current liabilities		<u>3,601,437</u>	<u>4,149,650</u>
Creditors: amounts falling due after more than one year	18	(1,396,557)	(1,667,816)
Net assets		<u><u>2,204,880</u></u>	<u><u>2,481,834</u></u>
Capital and reserves			
Called up share capital	21	101,552	101,552
Capital redemption reserve	22	45,168	45,168
Profit and loss account	22	2,058,160	2,335,114
		<u><u>2,204,880</u></u>	<u><u>2,481,834</u></u>

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

25 May 2016

P. W. Kerr
Director


R. H. Palmer
Director

The notes on pages 10 to 29 form part of these financial statements.

PALMER TIMBER LIMITED

STATEMENT OF CHANGES IN EQUITY
As at 30 September 2015

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 October 2014	101,552	45,168	2,335,114	2,481,834
Profit for the year	-	-	479,096	479,096
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(756,050)	(756,050)
AT 30 September 2015	101,552	45,168	2,058,160	2,204,880

A dividend of £26,050 was paid during the year. During the year the company transferred its holding in MPB Garden Buildings Limited (cost £730,000) to its parent undertaking. This transaction has been treated as a deemed distribution.

PALMER TIMBER LIMITED

STATEMENT OF CHANGES IN EQUITY
As at 30 September 2014

	Share capital	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£
At 1 October 2013	101,552	45,168	2,678,208	2,824,928
Loss for the year	-	-	(282,163)	(282,163)
Dividends: Equity capital	-	-	(60,931)	(60,931)
AT 30 September 2014	101,552	45,168	2,335,114	2,481,834

The notes on pages 10 to 29 form part of these financial statements.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 September 2015

1. COMPANY INFORMATION

Palmer Timber Limited (the company) undertake timber merchandising and saw milling.

The company is a private limited company (registered number 00365289), which is incorporated and domiciled in the UK. The address of the registered office is Granville Works, Station Road, Cradley Heath, West Midlands, B64 6PW.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015, but may be applied early to periods ending on or after 31 December 2012. Palmer Timber Limited has taken the option to apply the standard early in the preparation of these financial statements.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Palmer Timber Holdings Limited as at 30 September 2015 and these financial statements may be obtained from Companies House.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.3 Going concern

The directors have assessed the company's ability to continue as a going concern. As result of this assessment, no material uncertainties have been identified that cast doubt about the ability of the company to continue as a going concern.

The company meets its day-to-day working capital requirements through group banking facilities and the directors are confident that current facilities will continue to be made available to the company.

Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis of accounting in preparing these financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	over the period of the lease
Plant and machinery	-	4 to 20 years
Motor vehicles	-	4 years
Fixtures, fittings and equipment	-	4 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

The directors have taken advantage of the transitional arrangements of Financial Reporting Standard 102 and have revalued the freehold land and buildings to fair value at the date of transition. This value will be used as the deemed cost following transition.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.11. Financial instruments (continued)

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and loss account in the same period as the related expenditure.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2.15 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.17 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

2.18 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company made contributions to the Palmer Timber Retirement Benefit Scheme, a defined benefit scheme set up to provide retirement pensions and related benefits to group company employees. The scheme is now closed to future benefit accrual. The company's share of the underlying assets and liabilities cannot be identified and are therefore not included. The company is committed to payments under a payment schedule and these amounts are recorded as a creditor in these accounts. Changes to the amount due under the payment schedule are recognised when they occur.

2.19 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 30 September 2015

2. ACCOUNTING POLICIES (continued)

2.20 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Stock provision

Provision has been made to cover the impairment of slow moving and excess stock by comparing the quantity of each item held in stock with historical sales information.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

4. ANALYSIS OF TURNOVER

The whole of the turnover is attributable to the principal activity.

Substantially all turnover arose within the United Kingdom.

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets	309,632	285,552
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	27,250	20,265
Defined contribution pension cost	146,620	128,167
Defined benefit pension cost	-	746,395
	=====	=====

6. EMPLOYEES

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

	2015	2014
	£	£
Wages and salaries	2,905,848	2,590,388
Social security costs	300,181	265,818
Cost of defined benefit scheme	-	746,395
Cost of defined contribution scheme	146,620	128,167
	=====	=====
	3,352,649	3,730,768

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

	2015	2014
	No.	No.
Production	50	46
Sales and distribution	34	29
Administration	9	10
	=====	=====
	93	85

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

7. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Directors' emoluments	403,659	180,900
Company contributions to defined contribution pension schemes	67,697	29,473
	471,356	210,373

During the year retirement benefits were accruing to 6 directors (2014 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £89,342 (2014 - £91,319).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,852 (2014 - £24,058).

8. INCOME FROM INVESTMENTS

	2015	2014
	£	£
Dividends received from unlisted investments	-	56,855
	-	56,855

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Bank interest payable	125,112	108,470
Other loan interest payable	2,576	2,387
Loans from group undertakings	42,018	36,831
Finance leases and hire purchase contracts	17,041	13,788
	186,747	161,476

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

10. TAXATION

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	34,602	3,598
Adjustments in respect of previous periods	786	-
Total current tax	<u>35,388</u>	<u>3,598</u>
Deferred tax		
Origination and reversal of timing differences	102,958	(78,294)
Total deferred tax	<u>102,958</u>	<u>(78,294)</u>
Taxation on profit/(loss) on ordinary activities	<u>138,346</u>	<u>(74,696)</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.50% (2014 - 20%). The differences are explained below:

	2015 £	2014 £
Profit/(loss) on ordinary activities before tax	<u>617,442</u>	<u>(356,859)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.50% (2014 - 20%)	126,576	(71,372)
Effects of:		
Expenses not deductible for tax purposes	328	149
Adjustments to tax charge in respect of prior periods	786	-
Other differences	11,376	7,898
Exempt dividend income	-	(11,371)
Marginal relief	(720)	-
Total tax charge for the year	<u>138,346</u>	<u>(74,696)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are unutilised capital losses of £40,714 (2014 : £40,714).

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

11. DIVIDENDS

	2015 £	2014 £
Dividends paid on equity capital	756,050	60,931
	<u>756,050</u>	<u>60,931</u>

A dividend of £26,050 (2014: £60,931) was paid during the year. During the year the company transferred its holding in MPB Garden Buildings Limited (cost £730,000) to its parent undertaking. This transaction has been treated as a deemed distribution.

On 6 November 2015 the directors proposed a dividend of £63,978.

12. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost or valuation					
At 1 October 2014	2,625,352	3,780,133	410,853	357,645	7,173,983
Additions	279,844	353,299	197,726	6,765	837,634
Disposals	-	-	(191,553)	-	(191,553)
At 30 September 2015	<u>2,905,196</u>	<u>4,133,432</u>	<u>417,026</u>	<u>364,410</u>	<u>7,820,064</u>
Depreciation					
At 1 October 2014	25,352	2,940,250	193,518	284,340	3,443,460
Charge owned for the period	29,973	142,290	20,924	32,630	225,817
Charge financed for the period	-	-	83,815	-	83,815
Disposals	-	-	(165,386)	-	(165,386)
At 30 September 2015	<u>55,325</u>	<u>3,082,540</u>	<u>132,871</u>	<u>316,970</u>	<u>3,587,706</u>
At 30 September 2015	<u>2,849,871</u>	<u>1,050,892</u>	<u>284,155</u>	<u>47,440</u>	<u>4,232,358</u>
<i>At 30 September 2014</i>	<u>2,600,000</u>	<u>839,883</u>	<u>217,335</u>	<u>73,305</u>	<u>3,730,523</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

12. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2015 £	2014 £
Plant and machinery	589,114	476,371
Motor vehicles	122,172	24,964
	<u>711,286</u>	<u>501,335</u>

Cost or valuation at 30 September 2015 is as follows:

	Land and buildings £
AT COST	1,427,345
AT VALUATION 2013	1,198,007
	<u>2,625,352</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2015 £	2014 £
Cost	1,427,345	1,147,501
Accumulated depreciation	(248,127)	(226,036)
Net book value	<u>1,179,218</u>	<u>921,465</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
At 1 October 2014	730,000
Disposals	(730,000)
At 30 September 2015	-
At 30 September 2015	-
<i>At 30 September 2014</i>	<i>730,000</i>

14. STOCKS

	2015 £	2014 £
Finished goods and goods for resale	4,191,270	4,124,286
	<u>4,191,270</u>	<u>4,124,286</u>

Stock recognised in cost of sales during the year as an expense was £18,434,065 (2014: £17,180,636).

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

15. DEBTORS

	2015 £	2014 £
Trade debtors	4,536,945	3,670,917
Amounts owed by group undertakings	819,351	538,797
Other debtors	39,541	14,390
Prepayments and accrued income	381,189	268,266
Deferred taxation	161,132	264,090
	<u>5,938,158</u>	<u>4,756,460</u>

16. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Cash at bank and in hand	464	59
Less: bank overdrafts	(6,218,876)	(4,121,122)
	<u>(6,218,412)</u>	<u>(4,121,063)</u>

17. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Bank overdrafts	6,218,876	4,121,122
Trade creditors	3,287,953	3,714,228
Corporation tax	34,602	3,601
Taxation and social security	430,647	778,987
Obligations under finance lease and hire purchase contracts	212,058	98,873
Other creditors	346,028	314,483
Accruals and deferred income	230,649	160,384
	<u>10,760,813</u>	<u>9,191,678</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

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

	2015	2014
	£	£
Net obligations under finance leases and hire purchase contracts	206,375	196,427
Other creditors	1,108,996	1,378,176
Accruals and deferred income	81,186	93,213
	1,396,557	1,667,816

Secured loans

Bank borrowings are secured by fixed and floating charges on the assets of the group.

19. HIRE PURCHASE & FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2015	2014
	£	£
Within one year	212,058	98,873
Between 1-2 years	153,575	92,499
Between 2-5 years	53,250	103,928
	418,883	295,300

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

20. DEFERRED TAXATION

	Deferred tax £
At 1 October 2014	264,090
Charged to the profit or loss	(102,958)
At 30 September 2015	161,132

The deferred tax asset is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	(127,987)	(71,010)
Short term timing differences	289,119	335,100
	161,132	264,090

21. SHARE CAPITAL

	2015 £	2014 £
Allotted, called up and fully paid		
101,552 Ordinary shares of £1 each	101,552	101,552

22. RESERVES

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit & loss account

This reserve includes all current and prior period retained profits and losses.

23. CONTINGENT LIABILITIES

The company is party to a multilateral guarantee in connection with a group banking arrangement. The potential liability at 30 September 2015 was £180,000.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

24. CAPITAL COMMITMENTS

At 30 September 2015 the Company had capital commitments as follows:

	2015	2014
	£	£
Contracted for but not provided in these financial statements	99,802	56,510

25. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015	2014
	£	£
Plant and machinery		
Not later than 1 year	295,848	229,018
Later than 1 year and not later than 5 years	936,146	445,119
Later than 5 years	295,527	87,384
Total	1,527,521	761,521

26. OTHER FINANCIAL COMMITMENTS

At 30 September 2015 the company had entered into US Dollar exchange currency contracts totalling \$117,917 (2014: \$383,827.28) all of which matured October 2015, Euro exchange currency contract totalling €72,493 (2014: €53,043) all of which matured in October 2015, and Canadian Dollar exchange currency contracts totalling \$476,239 (2014: \$583,375) of which \$417,366 matured in October 2015 and \$58,873 matured in November 2015. The total amount committed to in Sterling at 30 September 2015 was £367,957 (2014: £600,888).

27. RELATED PARTY TRANSACTIONS

Palmer Timber Limited has taken advantage of the exemption under FRS 102 section 33 not to disclose related party transactions and balances between subsidiaries and the parent company.

28. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of Palmer Timber Holdings Limited, a company incorporated in England & Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by Palmer Timber Holdings Limited, the ultimate parent company incorporated in England and Wales. Their registered office is Granville Works, Station Road, Cradley Heath, West Midlands, B64 6PW. The consolidated accounts of this group are available to the public from Companies House.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

29. FIRST TIME ADOPTION OF FRS 102

	Note	<i>As previously stated 1 October 2013 £</i>	<i>Effect of transition 1 October 2013 £</i>	FRS 102 (as restated) 1 October 2013 £	<i>As previously stated 30 September 2014 £</i>	<i>Effect of transition 30 September 2014 £</i>	FRS 102 (as restated) 30 September 2014 £
Fixed assets		3,150,409	1,386,890	4,537,299	3,073,633	1,386,890	4,460,523
Current assets		8,337,051	-	8,337,051	8,616,715	-	8,616,715
Creditors: amounts falling due within one year		(8,714,337)	(260,961)	(8,975,298)	(8,921,718)	(269,960)	(9,191,678)
Net current liabilities		(377,286)	(260,961)	(638,247)	(305,003)	(269,960)	(574,963)
Total assets less current liabilities		2,773,123	1,125,929	3,899,052	2,768,630	1,116,930	3,885,560
Creditors: amounts falling due after more than one year		(358,180)	(901,741)	(1,259,921)	(289,640)	(1,378,176)	(1,667,816)
Provisions for liabilities		(46,744)	232,540	185,796	(65,537)	329,627	264,090
Net assets		2,368,199	456,728	2,824,927	2,413,453	68,381	2,481,834
Capital and reserves		2,368,199	456,728	2,824,927	2,413,453	68,381	2,481,834

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 September 2015

29. FIRST TIME ADOPTION OF FRS 102 (continued)

	Note	<i>As previously stated 30 September 2014 £</i>	<i>Effect of transition 30 September 2014 £</i>	FRS 102 (as restated) 30 September 2014 £
Turnover		22,662,362	-	22,662,362
Cost of sales		(19,059,150)	-	(19,059,150)
		<hr/>	<hr/>	<hr/>
		3,603,212	-	3,603,212
Distribution expenses		(1,808,840)	-	(1,808,840)
Administrative expenses		(1,561,175)	(485,435)	(2,046,610)
		<hr/>	<hr/>	<hr/>
Operating profit		233,197	(485,435)	(252,238)
Income from investments		56,855	-	56,855
Interest payable and similar charges		(161,476)	-	(161,476)
Taxation		(22,391)	97,087	74,696
		<hr/>	<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation and for the financial year		<u>106,185</u>	<u>(388,348)</u>	<u>(282,163)</u>

Explanation of changes to previously reported profit and equity:

1 Revaluation of land and buildings

Land and buildings have been revalued to market value at 1 October 2013.

2 Recognition of pension scheme creditor

Amounts payable under a payment schedule have been recognised as a creditor at 1 October 2013. Changes to amounts due under the schedule that occur following valuations are recognised in the year which they occur.