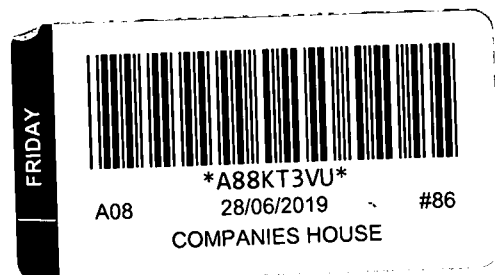


PALMER TIMBER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2018



PALMER TIMBER LIMITED

COMPANY INFORMATION

Directors	P. W. Kerr R. H. Palmer S. Russ P. E. Hill I. J. A. Cox K. F. Edmonds P Betteridge (appointed 26 March 2019)
Company secretary	S. Russ
Registered number	00365289
Registered office	Granville Works Station Road Cradley Heath West Midlands B64 6PW
Independent auditor	Crowe U.K. 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

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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 2018

The Directors present their strategic report for the year ended 30 September 2018.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The business achieved a pre-tax profit of £314,370 (2017: per-tax loss of £151,528). In 2017 this loss included an exceptional cost item of £730,000, relating to a fine imposed on 22 June 2018 for a single health and safety breach that occurred on 23 February 2015, for which the Company took full provision. Leaving aside this provision, the Company achieved an underlying profit before tax of £578,472 in 2017.

Sales Revenue increased by £160,771 (1%) over the period to £28,903,818. Gross Profit as a percentage of sales fell very slightly to 15.7% from 16.2% the previous year. Sales revenue and margin were particularly affected by the severe and prolonged winter weather during 2018, which led to disruption to operations, delays to orders, and consequent inefficiencies. Uncertainties over the timing and method of the UK's exit from the European Union acted as a further drag on demand as companies hesitated over investment and growth. 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 Company has included its share of the liabilities of the group defined benefit pension scheme in the financial statements, in accordance with the requirements of FRS102.

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.

Although worldwide and domestic events over the past couple of years have threatened turbulence and created uncertainty, the markets in which we operate have remained generally positive. However, the ongoing uncertainties over the UK's exit from the European Union continue to cast a shadow over business confidence for the future direction of the economy and disruption to trade. Against this scene the Company will continue its stance in remaining vigilant to 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 26 JUNE 2019 and signed on its behalf.



S. Russ
Director

PALMER TIMBER LIMITED

DIRECTORS' REPORT
For the year ended 30 September 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company continued to be that of timber merchandising and saw milling.

Results and dividends

The profit for the year, after taxation, amounted to £244,026 (2017 - loss £270,319).

A dividend of £Nil (2017: £22,834) was paid during the year.

Directors

The directors who served during the year were:

P. W. Kerr
R. H. Palmer
S. Russ
P. E. Hill
I. J. A. Cox
K. F. Edmonds

PALMER TIMBER LIMITED

DIRECTORS' REPORT (CONTINUED)
For the year ended 30 September 2018

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 assets, 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 Strategic Report as required under S414c of the Companies Act 2006.

Disclosure of information to auditor

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

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

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 June 2019 and signed on its behalf.



S. Russ
Director

PALMER TIMBER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMER TIMBER LIMITED

Opinion

We have audited the financial statements of Palmer Timber Limited (the 'Company') for the year ended 30 September 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 Financial Reporting Standard 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 Company's affairs as at 30 September 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

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

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

PALMER TIMBER LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMER TIMBER LIMITED
(CONTINUED)**

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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, 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PALMER TIMBER LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMER TIMBER LIMITED
(CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.



Helen Drew (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

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

Date:

26 6 19

PALMER TIMBER LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2018

	Note	2018 £	2017 £
Turnover	4	28,903,818	28,743,047
Cost of sales		(24,354,264)	(24,083,718)
Gross profit		4,549,554	4,659,329
Distribution costs		(2,410,224)	(2,275,153)
Administrative expenses		(1,614,464)	(1,583,799)
Exceptional item	12	-	(730,000)
Operating profit	5	524,866	70,377
Interest payable and expenses	8	(223,163)	(199,238)
Other finance income/(expenditure)		12,667	(22,667)
Profit/(loss) before tax		314,370	(151,528)
Tax on profit/(loss)	10	(70,344)	(118,791)
Profit/(loss) for the financial year		244,026	(270,319)
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		332,000	1,134,666
Movement on deferred tax		(56,440)	(192,983)
Other comprehensive income for the year		275,560	941,683
Total comprehensive income for the year		519,586	671,364

The notes on pages 10 to 28 form part of these financial statements.

PALMER TIMBER LIMITED
Registered number: 00365289

BALANCE SHEET
As at 30 September 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	13	5,043,162	5,047,023
		<u>5,043,162</u>	<u>5,047,023</u>
Current assets			
Stocks	14	5,711,229	5,182,518
Debtors: amounts falling due within one year	15	6,398,288	6,434,831
Cash at bank and in hand		999	870
		<u>12,110,516</u>	<u>11,618,219</u>
Creditors: amounts falling due within one year	16	<u>(12,818,056)</u>	<u>(12,399,077)</u>
Net current liabilities		(707,540)	(780,858)
Total assets less current liabilities		4,335,622	4,266,165
Creditors: amounts falling due after more than one year	17	(1,237,603)	(1,156,151)
Provisions for liabilities			
Deferred tax	20	(290,458)	(184,705)
Pension asset		943,334	306,000
Net assets		<u>3,750,895</u>	<u>3,231,309</u>
Capital and reserves			
Called up share capital	21	101,552	101,552
Other reserves	22	1,647,007	1,654,889
Capital redemption reserve	22	45,168	45,168
Profit and loss account	22	1,957,168	1,429,700
		<u>3,750,895</u>	<u>3,231,309</u>

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

26.6.19


P. W. Kerr
Director

The notes on pages 10 to 28 form part of these financial statements.

PALMER TIMBER LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2018

	Share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 October 2016	101,552	45,168	1,662,771	773,348	2,582,839
Loss for the year	-	-	-	(270,319)	(270,319)
Actuarial gains on pension scheme	-	-	-	1,134,666	1,134,666
Surplus on revaluation of freehold property	-	-	-	7,882	7,882
Movement on deferred tax	-	-	-	(192,983)	(192,983)
Dividends: Equity capital	-	-	-	(22,894)	(22,894)
Transfer to/from profit and loss account	-	-	(7,882)	-	(7,882)
At 1 October 2017	101,552	45,168	1,654,889	1,429,700	3,231,309
Profit for the year	-	-	-	244,026	244,026
Actuarial gains on pension scheme	-	-	-	332,000	332,000
Surplus on revaluation of freehold property	-	-	-	7,882	7,882
Movement on deferred tax	-	-	-	(56,440)	(56,440)
Transfer to/from profit and loss account	-	-	(7,882)	-	(7,882)
At 30 September 2018	101,552	45,168	1,647,007	1,957,168	3,750,895

The notes on pages 10 to 28 form part of these financial statements.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

1. COMPANY INFORMATION

The principal activity of the company is timber merchandising and saw milling.

The company is a private company limited by shares (registered number 00365289), which is incorporated 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 in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- 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 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff.

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.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

2. ACCOUNTING POLICIES (CONTINUED)

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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, normally on despatch of the goods.

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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 50 or 20 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 in the Statement of comprehensive income.

2.6 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.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.7 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

2.8 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.

2.9 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.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.10 PENSIONS

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. The plan is a group plan that shares risks between entities under common control. The company has recognised its share of the obligations of the plan in the financial statements. The plan is closed to all members.

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

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

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

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

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

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

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

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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.

2.11 EXCEPTIONAL ITEMS

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

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

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.

Defined benefit pension liability

The present value of the defined benefit pension scheme liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability.

4. TURNOVER

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

Substantially all turnover arose within the United Kingdom.

5. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Profit on disposal of fixed assets	29,606	28,727
Depreciation of tangible fixed assets	356,768	337,308
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	25,215	23,060
Other operating lease rentals	403,590	369,325

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

6. EMPLOYEES

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

	2018 £	2017 £
Wages and salaries	3,259,783	3,226,770
Social security costs	338,590	326,434
Cost of defined benefit scheme	292	296
Cost of defined contribution scheme	145,298	133,241
	<u>3,743,963</u>	<u>3,686,741</u>

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

	2018 No.	2017 No.
Production	55	55
Sales and distribution	33	33
Administration	8	8
	<u>96</u>	<u>96</u>

7. DIRECTORS' REMUNERATION

	2018 £	2017 £
Directors' emoluments	452,166	439,660
Company contributions to defined contribution pension schemes	81,339	79,130
	<u>533,505</u>	<u>518,790</u>

During the year retirement benefits were accruing to 6 directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £95,805 (2017 - £90,890).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £36,351 (2017 - £35,529).

Retirement benefits were also accruing to 6 Directors (2017 - 6) in respect of the closed defined benefit pension scheme. Contributions paid into this scheme during the year cannot be attributed to specific individuals.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Bank interest payable	172,243	144,224
Other loan interest payable	852	1,731
Loans from group undertakings	40,772	32,386
Finance leases and hire purchase contracts	9,296	20,897
	<u>223,163</u>	<u>199,238</u>

9. OTHER FINANCE INCOME/(COSTS)

	2018 £	2017 £
Interest income on pension scheme assets	286,000	231,333
Net interest on net defined benefit liability	(273,333)	(254,000)
	<u>12,667</u>	<u>(22,667)</u>

10. TAXATION

	2018 £	2017 £
CORPORATION TAX		
Current tax on profits for the year	21,678	69,378
Adjustments in respect of previous periods	(647)	-
TOTAL CURRENT TAX	<u>21,031</u>	<u>69,378</u>
DEFERRED TAX		
Origination and reversal of timing differences	49,351	49,413
Adjustments in respect of previous periods	(38)	-
TOTAL DEFERRED TAX	<u>49,313</u>	<u>49,413</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>70,344</u>	<u>118,791</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.50%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) on ordinary activities before tax	<u>314,370</u>	<u>(151,528)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.50%)	59,730	(29,548)
EFFECTS OF:		
Expenses not deductible for tax purposes	1,670	143,462
Capital allowances for year in excess of depreciation	15,435	12,243
Amounts charged directly to the Statement of Comprehensive Income	63,080	221,244
Amounts charged directly to equity	(56,440)	(192,983)
Deferred tax	(12,446)	(35,627)
Adjustments to tax charge in respect of previous periods	(685)	-
TOTAL TAX CHARGE FOR THE YEAR	<u>70,344</u>	<u>118,791</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has unutilised capital losses of £40,714 (2017: £40,714).

11. DIVIDENDS

	2018 £	2017 £
Dividends paid on equity capital	<u>-</u>	<u>22,894</u>

12. EXCEPTIONAL ITEMS

	2018 £	2017 £
Health & Safety Executive fine	<u>-</u>	<u>730,000</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

13. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
COST OR VALUATION					
At 1 October 2017	3,704,839	4,598,348	427,131	418,216	9,148,534
Additions	208,870	24,438	99,207	52,987	385,502
Disposals	-	-	(178,326)	-	(178,326)
At 30 September 2018	<u>3,913,709</u>	<u>4,622,786</u>	<u>348,012</u>	<u>471,203</u>	<u>9,355,710</u>
DEPRECIATION					
At 1 October 2017	166,637	3,395,745	181,741	357,388	4,101,511
Charge for the year on owned assets	85,275	151,098	94,142	21,635	352,150
Charge for the year on financed assets	-	4,618	-	-	4,618
Disposals	-	-	(145,731)	-	(145,731)
At 30 September 2018	<u>251,912</u>	<u>3,551,461</u>	<u>130,152</u>	<u>379,023</u>	<u>4,312,548</u>
NET BOOK VALUE					
At 30 September 2018	<u>3,661,797</u>	<u>1,071,325</u>	<u>217,860</u>	<u>92,180</u>	<u>5,043,162</u>
At 30 September 2017	<u>3,538,202</u>	<u>1,202,603</u>	<u>245,390</u>	<u>60,828</u>	<u>5,047,023</u>

Included in land and buildings is freehold land at valuation of £1,357,735 (cost £274,000) which is not depreciated.

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

	2018 £	2017 £
Land and buildings	-	23,500
Plant and machinery	83,157	648,218
Motor vehicles	-	15,254
	<u>83,157</u>	<u>686,972</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

13. TANGIBLE FIXED ASSETS (CONTINUED)

Cost or valuation at 30 September 2018 is as follows:

	Land and buildings £
AT COST	2,435,858
AT VALUATION:	
October 2014	1,477,851
	<u>3,913,709</u>

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

	2018 £	2017 £
Cost	2,435,858	2,226,988
Accumulated depreciation	(400,468)	(343,674)
NET BOOK VALUE	<u>2,035,390</u>	<u>1,883,314</u>

14. STOCKS

	2018 £	2017 £
Finished goods and goods for resale	<u>5,711,229</u>	<u>5,182,518</u>

15. DEBTORS

	2018 £	2017 £
Trade debtors - factored	4,780,115	5,030,278
Amounts owed by group undertakings	1,167,404	973,825
Other debtors	15,300	25,642
Prepayments and accrued income	435,469	405,086
	<u>6,398,288</u>	<u>6,434,831</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank overdrafts	7,976,520	6,525,277
Bank loans	75,000	75,000
Trade creditors	4,001,473	4,598,529
Corporation tax	21,678	69,378
Other taxation and social security	439,150	478,353
Obligations under finance lease and hire purchase contracts	14,020	156,159
Other creditors	89,524	264,750
Accruals and deferred income	200,691	231,631
	<u>12,818,056</u>	<u>12,399,077</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Bank loans	462,500	537,500
Obligations under finance leases and hire purchase contracts	-	14,020
Other creditors	730,000	547,500
Accruals and deferred income	45,103	57,131
	<u>1,237,603</u>	<u>1,156,151</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

18. BANK LOAN

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Due within one year	75,000	75,000
Between 1-2 years	75,000	75,000
Between 2-5 years	225,000	225,000
After more than 5 years	162,500	237,500
	<u>537,500</u>	<u>612,500</u>

Bank Borrowings

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

The bank loan is a 10 year loan which was drawn down in November 2015. It is repayable in monthly repayments of £7,122 including interest. Interest is charged at 2.15% above the bank base rate.

19. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	14,020	156,159
Between 1-5 years	-	14,020
	<u>14,020</u>	<u>170,179</u>

20. DEFERRED TAXATION

	2018 £	2017 £
At beginning of year	(184,705)	57,691
Charged to the profit or loss	(49,313)	(49,413)
Charged to other comprehensive income	(56,440)	(192,983)
AT END OF YEAR	<u>(290,458)</u>	<u>(184,705)</u>

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

20. DEFERRED TAXATION (CONTINUED)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(143,340)	(144,853)
Short term timing differences	(147,118)	(39,852)
	<u>(290,458)</u>	<u>(184,705)</u>

21. SHARE CAPITAL

	2018 £	2017 £
ALLOTTED, CALLED UP AND FULLY PAID		
101,552 (2017 - 101,552) Ordinary shares of £1.00 each	<u>101,552</u>	<u>101,552</u>

22. RESERVES

Capital redemption reserve

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

Other reserves

This is the deemed cost reserve, this reserve records the surplus or deficit arising on the valuation of land and buildings on transition to FRS 102.

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 2018 was £60,000 (2017 - £100,000).

The company is party to a multi-employer defined benefit pension scheme. This pension scheme is now closed but is subject to an agreed deficit payment schedule. The company is liable for the deficit payments of other group companies in case of default by other other group companies. Due to the nature of the liabilities a figure cannot be calculated in respect of this potential liability.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

24. CAPITAL COMMITMENTS

At 30 September 2018 the Company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	-	49,239

25. PENSION COMMITMENTS

The Company operates a defined benefit pension scheme.

The defined benefit pension scheme closed to future benefit accrual in the year ended 30 September 2008. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. In accordance with FRS 102, where the defined benefits pension scheme surplus is not recognised as the scheme is closed to future accrual, the expected return on assets is restricted so that it does not exceed the total of the interest cost. Actuarial gains and losses are recognised as other comprehensive income in the statement of comprehensive income.

The company also operates a defined contribution pension scheme for its employees. The assets of this scheme are also held separately from those of the company in independently administered funds.

The company's total pension cost included within operating profit was £145,590 (2017: £133,537) being £292 (2017: £296) in respect of its defined benefit pension arrangements and £145,298 (2017: £133,241) in respect of the defined contribution pension scheme.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

25. PENSION COMMITMENTS (CONTINUED)

	2018 £	2017 £
RECONCILIATION OF PRESENT VALUE OF PLAN LIABILITIES		
At the beginning of the year	10,177,333	10,682,666
Interest cost	273,333	254,000
Actuarial gains/losses	(308,667)	(585,333)
Benefits paid	(830,000)	(174,000)
AT THE END OF THE YEAR	9,311,999	10,177,333

	2018 £	2017 £
RECONCILIATION OF PRESENT VALUE OF PLAN ASSETS		
At the beginning of the year	10,483,333	9,592,000
Interest income	286,000	231,333
Actuarial gains/losses	23,333	549,333
Contributions	292,667	284,667
Benefits paid	(830,000)	(174,000)
AT THE END OF THE YEAR	10,255,333	10,483,333

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

25. PENSION COMMITMENTS (CONTINUED)

Composition of plan assets:

	2018 £	2017 £
Equities	4,307,240	4,507,833
Diversified Growth Funds	4,102,133	3,983,666
Gilts	1,743,407	1,782,167
Cash	102,553	209,667
TOTAL PLAN ASSETS	10,255,333	10,483,333
	2018 £	2017 £
Fair value of plan assets	10,255,333	10,483,333
Present value of plan liabilities	(9,311,999)	(10,177,333)
NET PENSION SCHEME ASSET	943,334	306,000

The amounts recognised in profit or loss are as follows:

	2018 £	2017 £
Interest on obligation	(273,333)	(254,000)
Interest income on plan assets	286,000	231,333
TOTAL	12,667	(22,667)
Actual return on scheme assets	309,333	780,667

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income was a loss of £254,000 (2017 - loss of £586,000).

The Company expects to contribute £301,960 to its defined benefit pension scheme in 2019.

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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25. PENSION COMMITMENTS (CONTINUED)

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

	2018 %	2017 %
Discount rate	2.9	2.8
Future pension increases	2.6	2.7
Mortality rates		
- for a male aged 65 now	87.1	87.0
- at 65 for a male aged 45 now	88.4	88.3
- for a female aged 65 now	89.1	89.0
- at 65 for a female member aged 45 now	90.6	90.5

26. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	371,511	365,828
Later than 1 year and not later than 5 years	1,017,569	1,224,676
Later than 5 years	68,127	148,472
	<u>1,457,207</u>	<u>1,738,976</u>

27. OTHER FINANCIAL COMMITMENTS

At 30 September 2018 the group had entered into US Dollar exchange currency contracts totaling \$453,286 (2017: \$526,687) of which \$113,201 matured October 2018, \$82,954 matured November 2018, \$161,338 matured December 2018 and \$95,793 matured January 2019. The group also entered into Canadian Dollar exchange currency contracts totaling \$630,606 (2017: \$645,123) of which \$283,899 matured October 2018 and \$346,707 matured November 2018. There were also Euro exchange currency contracts totaling €157,039 (2017: €1,120,735) of which €98,705 matured October 2018 and €58,334 matured November 2019. The total amount committed to in Sterling at 30 September 2018 was £865,087 (2017: £1,769,205).

PALMER TIMBER LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2018

28. 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.

29. POST BALANCE SHEET EVENTS

Guaranteed Minimum Pensions (GMP) Equalisation

Following a court judgement in October 2018, involving The Lloyds Bank Pensions Schemes, the Group has an additional liability with regard to its own defined benefit pension scheme relating to GMP equalisation. The judgement confirms that members' benefits earned between 17 May 1990 and 4 April 2017 do need to be equalised for the effects of unequal GMPs. Estimates in the range of 1 to 3% of scheme liabilities have been discussed generally in relation to this but ultimately, the true cost of the GMP equalisation uplift for the Group will not be known until the detailed member by member calculations have been performed. The Directors will liaise with the Actuary and establish the impact of this liability which will be provided for in the 2019 Financial Statements.

30. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is 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. Their registered office is Granville Works, Station Road, Cradley Heath, West Midlands, B64 6PW. The consolidated financial statements of this group are available to the public from Companies House, Crown Way, Cardiff.