Financial Statements
Pontrilas Sawmills Limited

For the Year Ended 31 July 2016

Registered number: 00457573

Company Information

Directors	J J S Hickman V S Hickman J J Poynton S A Poynton D R Mills B W C Pugh E B Hilton
Registered number	00457573
Registered office	The Sawmills Pontrilas Hereford HR2 0BE
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 11/13 Penhill Road Cardiff South Glamorgan CF11 9UP
Bankers	Lloyds Bank Plc 6-8 High Town Hereford HR1 2AE

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Strategic Report
For the Year Ended 31 July 2016

Business review

The principal activity of the company has continued to be saw milling and the supply of timber.

Earnings before interest, tax, depreciation and amortisation were £2,303,342 (2015 - £4,171,094).

Principal risks and uncertainties

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Liquidity risk

The company manages its cash and borrowing requirements centrally in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate cash flow risk

The company has both interest bearing assests and interest bearing liabilities. Interest bearing assets include cash balances which earn interest at variable rates. The company maintains debt both at a fixed rate and at a base rate plus a margin. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company the directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no significant exposure to equity securities price risk as it holds no listed equity investments.

Strategic Report
For the Year Ended 31 July 2016

Key performance indicators

The directors use many performance indicators, both financial and non-financial, to monitor the company's position.

This report was approved by the board on 25 January 2017 and signed on its behalf.

E B Hilton
Director

Directors' Report
For the Year Ended 31 July 2016

The directors present their report and the financial statements for the year ended 31 July 2016.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £175,746 (2015 - £2,046,016).

The directors have not proposed a dividend (2015: £150,000).

Directors

The directors who served during the year were:

J J S Hickman
V S Hickman
J J Poynton
S A Poynton
D R Mills
B W C Pugh
E B Hilton

Directors' Report (continued)

For the Year Ended 31 July 2016

Future developments

The Director's recognise that market forces and trends have a strong influence over financial performance but also that in order for the Company to grow and prosper both the quality, and relevance, of the product together with the quality of the customer service matter greatly. These factors remain at the cornerstone of what the Company does in terms of its investment, recruitment and training. By doing so the Directors believe that the Company will be able to meet the demands of existing and new customers alike which in turn will allow it to grow, develop and meet financial objectives.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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.

Post balance sheet events

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 January 2017 and signed on its behalf.

E B Hilton
Director

Grant Thornton

Independent Auditor's Report to the Shareholders of Pontrilas Sawmills Limited

We have audited the financial statements of Pontrilas Sawmills Limited for the year ended 31 July 2016, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement on page 3, 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 31 July 2016 and of its profit or loss 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.

Independent Auditor's Report to the Shareholders of Pontrilas Sawmills Limited (continued)

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 those financial statements.

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.

Rhian Owen (Senior statutory auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

11/13 Penhill Road
Cardiff
South Glamorgan
CF11 9UP

25 January 2017

Statement of Comprehensive Income
For the Year Ended 31 July 2016

	Note	2016 £	2015 £
Turnover	4	**33,747,632**	36,201,743
Cost of sales		**(27,368,654)**	(28,532,212)
Gross profit		**6,378,978**	7,669,531
Administrative expenses		**(6,282,946)**	(5,212,944)
Exceptional income	14	**225,000**	169,987
Other operating income	5	**164,762**	110,068
Operating profit	6	**485,794**	2,736,642
Interest payable and expenses	10	**(233,013)**	(146,208)
Other finance costs		**(12,000)**	(9,000)
Profit before tax		**240,781**	2,581,434
Tax on profit	12	**(65,035)**	(535,418)
Profit for the year		**175,746**	2,046,016
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit schemes		**(375,000)**	(433,000)
Movements of deferred tax relating to pension deficit		**75,000**	89,501
		(300,000)	(343,499)
Total comprehensive income for the year		**(124,254)**	1,702,517

The notes on pages 12 to 35 form part of these financial statements.

Balance Sheet
As at 31 July 2016

	Note	£	2016 £	£	2015 £
Intangible assets	15		**605,975**		614,836
Tangible assets	16		**14,104,803**		14,054,615
Investments	17		**15,000**		15,000
			14,725,778		14,684,451
Current assets					
Stocks	18	**3,700,445**		4,103,498	
Debtors: amounts falling due within one year	19	**13,615,206**		14,663,077	
Cash at bank and in hand	20	**123,892**		219,216	
		17,439,543		18,985,791	
Creditors: amounts falling due within one year	21	**(13,715,193)**		(17,891,537)	
Net current assets			**3,724,350**		1,094,254
Total assets less current liabilities			**18,450,128**		15,778,705
Creditors: amounts falling due after more than one year	22		**(4,753,648)**		(1,936,729)
			13,696,480		13,841,976
Provisions for liabilities					
Deferred taxation	26	**(576,307)**		(690,489)	
			(576,307)		(690,489)
Net assets excluding pension liability			**13,120,173**		13,151,487
Pension liability			**(530,540)**		(437,600)
Net assets			**12,589,633**		12,713,887

Pontrilas Sawmills Limited
Registered number:00457573

Balance Sheet (continued)
As at 31 July 2016

	Note	2016 £	2015 £
Capital and reserves			
Called up share capital	27	**10,000**	10,000
Profit and loss account	28	**12,579,633**	12,703,887
		12,589,633	12,713,887

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

E B Hilton
Director
25 January 2017.

The notes on pages 12 to 35 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 July 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2015	10,000	12,703,887	12,713,887
Comprehensive income for the year			
Profit for the year	-	175,746	175,746
Actuarial losses on pension scheme	-	(300,000)	(300,000)
Total comprehensive income for the year	-	(124,254)	(124,254)
At 31 July 2016	10,000	12,579,633	12,589,633

Statement of Changes in Equity

For the Year Ended 31 July 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2014	**10,000**	**11,151,370**	**11,161,370**
Comprehensive income for the year			
Profit for the year	-	2,046,016	2,046,016
Actuarial losses on pension scheme	-	(343,499)	(343,499)
Total comprehensive income for the year	-	1,702,517	1,702,517
Dividends: Equity capital	-	(150,000)	(150,000)
At 31 July 2015	**10,000**	**12,703,887**	**12,713,887**

The notes on pages 12 to 35 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 July 2016

1. General information

Pontrilas Sawmills Limited is a limited company incorporated in the United Kingdom. The address of the registered office is given in the company information page of the financial statements. The nature of the company's operations and principal activities are saw milling and the supply of timber.

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 UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 34.

The date of transition to FRS 102 is 1 August 2014.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1.

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 company, being a subsidiary undertaking of a group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 102.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the future trading position of the company, and based on actual trading results since the year-end, are confident that the going concern principle can be applied to the financial statements.

Notes to the Financial Statements
For the Year Ended 31 July 2016

2. Accounting policies (continued)

2.3 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Notes to the Financial Statements
For the Year Ended 31 July 2016

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.

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.

Depreciation is provided on the following basis:

Freehold buildings	- 2.5% - 10% straight line
Freehold land	- Not depreciated
Plant & machinery	- 5% - 20% straight line
Motor vehicles	- 25% reducing balance
Assets under construction	- Not depreciated

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 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.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 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 is based on the cost of purchase on a first in, first outbasis. Work in progress and finished goods include labour and attributable 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.

Notes to the Financial Statements
For the Year Ended 31 July 2016

2. Accounting policies (continued)

2.8 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.

2.9 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.

2.10 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 debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 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.

Notes to the Financial Statements
For the Year Ended 31 July 2016

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the Financial Statements
For the Year Ended 31 July 2016

2. Accounting policies (continued)

2.15 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 operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

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, are disclosed as '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'.

2.16 Borrowing costs

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

Notes to the Financial Statements
For the Year Ended 31 July 2016

2. Accounting policies (continued)

2.17 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.

2.18 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 tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.19 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.

Notes to the Financial Statements

For the Year Ended 31 July 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements. The key areas are summarised below:

Depreciation
The company exercises judgement to determine useful lives and residual values of tangible fixed assets. The assets are depreciated down to their residual values over their estimated useful lives.

Provisions for trade debtors
Provisions have been made for potential trade debtors which will not be collected. This provision is an estimate based on management's understanding, knowledge of customers and historic trends.

Provisions for stock
Provisions have been made for obsolete stock based on management's understanding, knowledge of future sales and historic trends.

Softwood and Hardwood standard cost
The company calculates a standard cost for both hardwood and softwood stock. Management calculate and review such standard costs annually by assessing all direct costs which are incurred in the production process in relation to the volume of stock produced in the financial year.

Dilapidation costs
Provisions have been made for dilapidation costs in relation to a lease at Pontrilas Packaging Limited, for which Pontrilas Sawmills Limited is the guarantor. Such costs have been estimated based on the total costs of restoring the leased asset to its original condition.

4. Turnover

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

All turnover arose within the United Kingdom.

5. Other operating income

	2016	2015
	£	£
Sundry income	**164,762**	110,068
	164,762	110,068

Notes to the Financial Statements
For the Year Ended 31 July 2016

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	**1,787,066**	1,434,452
Amortisation of intangible assets, including goodwill	**30,482**	-
Defined contribution pension cost	**158,895**	121,846
Operating lease rentals:		
- plant and machinery	**1,140,209**	1,038,054

7. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**16,050**	15,500
	16,050	15,500

Fees payable to the Company's auditor and its associates in respect of:

	2016 £	2015 £
Tax compliance services	**2,750**	2,250

8. Employees

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

	2016 £	2015 £
Wages and salaries	**6,610,330**	6,597,057
Social security costs	**638,228**	660,717
Cost of defined contribution scheme	**158,895**	121,846
	7,407,453	7,379,620

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

	2016 No.	2015 No.
Management and adminstration	**36**	44
Production and selling	**215**	210
	251	254

9. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	**1,176,866**	1,370,134
Company contributions to defined contribution pension schemes	**38,291**	34,166
	1,215,157	1,404,300

During the year retirement benefits were accruing to 5 directors (2015 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £379,058 (2015 - £488,277).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2015 - £NIL).

10. Interest payable and similar charges

	2016	2015
	£	£
Bank interest payable	**166,761**	77,316
Finance leases and hire purchase contracts	**66,252**	44,048
Other interest payable	**-**	24,844
	233,013	146,208

11. Other finance costs

	2016	2015
	£	£
Net interest on net defined benefit liability	**(12,000)**	(9,000)
	(12,000)	(9,000)

Notes to the Financial Statements
For the Year Ended 31 July 2016

12. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	**85,000**	457,000
Adjustments in respect of previous periods	**26,277**	(27,510)
Total current tax	**111,277**	429,490
Deferred tax		
Origination and reversal of timing differences	**(46,242)**	105,928
Total deferred tax	**(46,242)**	105,928
Taxation on profit on ordinary activities	**65,035**	535,418

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.67%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	**240,780**	2,581,434
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.67%)	**48,156**	533,582
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**43,908**	42,431
Research and development relief	**6,096**	-
Adjustments to tax charge in respect of prior periods	**(67,931)**	(70,104)
Non-qualification depreciation	**31,802**	31,577
Change in corporation tax rate	**-**	(91)
Change in deferred tax rate	**3,004**	(1,977)
Total tax charge for the year	**65,035**	535,418

Notes to the Financial Statements
For the Year Ended 31 July 2016

13. Dividends

	2016	2015
	£	£
Dividends	-	150,000
	-	150,000

14. Exceptional items

	2016	2015
	£	£
Net profit on dissolved subsidiaries	-	169,987
Insurance income for business disruption	225,000	-
	225,000	169,987

Insurance income relates to income received for business disruption as a result of a fire at Pontrilas Sawmills Limited during August 2015. As a result of the fire, the mill ran at a significantly reduced capacity for the following two months.

Net profit on dissolved subsidiaries relate to Treatim (Pontrilas) Limited and Copeplan Limited, which were dissolved on 5 May 2015.

15. Intangible assets

	Power Supply Upgrade
	£
Cost	
At 1 August 2015	614,836
Additions	21,621
At 31 July 2016	636,457
Amortisation	
Charge for the year	30,482
At 31 July 2016	30,482
Net book value	
At 31 July 2016	605,975
At 31 July 2015	614,836

Notes to the Financial Statements
For the Year Ended 31 July 2016

16. Tangible fixed assets

	Land & Buildings	Plant & machinery	Fixtures, fittings, computer equipment and motor vehicles	Assets under construction	Total
	£	£	£	£	£
Cost or valuation					
At 1 August 2015	5,349,114	17,409,344	332,032	4,253,216	27,343,706
Additions	483,618	1,056,778	109,995	249,345	1,899,736
Disposals	-	-	(85,691)	-	(85,691)
Transfers between classes	1,595,004	2,651,647	-	(4,246,651)	-
At 31 July 2016	7,427,736	21,117,769	356,336	255,910	29,157,751
Depreciation					
At 1 August 2015	1,897,489	11,211,773	179,829	-	13,289,091
Charge for period on owned assets	327,432	1,381,870	77,764	-	1,787,066
Disposals	-	-	(23,209)	-	(23,209)
At 31 July 2016	2,224,921	12,593,643	234,384	-	15,052,948
Net book value					
At 31 July 2016	5,202,815	8,524,126	121,952	255,910	14,104,803
At 31 July 2015	3,451,625	6,197,571	152,203	4,253,216	14,054,615

Included within Land & Buildings are dilapidation costs in relation to the property lease at Pontrilas Packaging Limited, which Pontrilas Sawmills Limited is the guarantor, gross cost of £500,000 and net book value of £240,000.

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

	2016	2015
	£	£
Plant and machinery	5,833,153	3,565,661
	5,833,153	3,565,661

Notes to the Financial Statements
For the Year Ended 31 July 2016

17. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 August 2015	**15,000**
At 31 July 2016	**15,000**
At 31 July 2016	**15,000**
At 31 July 2015	15,000

18. Stocks

	2016 £	2015 £
Raw materials and consumables	**815,103**	1,207,023
Finished goods and goods for resale	**2,885,342**	2,896,475
	3,700,445	4,103,498

Included in the above stock balances is a provision of £58,890 (2015 - £58,890).

19. Debtors

	2016 £	2015 £
Trade debtors	**7,549,034**	7,319,234
Amounts owed by group undertakings	**5,558,206**	6,949,539
Amounts owed by commonly controlled entities	**56,691**	56,691
Other debtors	**123,177**	63,943
Prepayments and accrued income	**328,098**	273,670
	13,615,206	14,663,077

The amounts owed from group undertakings are unsecured and interest free. £1,556,691 (2015: £1,940,161) is due from Pontrilas Merchants Limited in more than one year.

Notes to the Financial Statements
For the Year Ended 31 July 2016

20. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	**123,892**	219,216
Less: bank overdrafts	**(3,169,086)**	(7,146,820)
	(3,045,194)	(6,927,604)

21. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	**3,169,086**	7,146,820
Bank loans	**444,746**	50,313
Trade creditors	**4,981,897**	5,631,275
Amounts owed to commonly controlled entities	**186,761**	186,761
Amounts owed to group undertakings	**1,860,000**	1,603,650
Proposed dividend	-	150,000
Corporation tax	**70,267**	193,990
Taxation and social security	**735,186**	425,691
Obligations under finance lease and hire purchase contracts	**764,790**	551,709
Other creditors	**138,048**	454,200
Accruals and deferred income	**1,364,412**	1,497,128
	13,715,193	17,891,537

Notes to the Financial Statements
For the Year Ended 31 July 2016

22. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Bank loans	**3,241,032**	1,500,000
Net obligations under finance leases and hire purchase contracts	**1,512,616**	436,729
	4,753,648	1,936,729

The bank overdraft is secured by a fixed and floating charge over freehold property of the group and by a fixed and floating charge over all the other assets of the company and the group.

The amounts due to group undertakings are unsecured, interest free and repayable on demand.

The company has given guarantees to its bankers in respect of the bank overdraft and Pontrilas Group Limited, Pontrilas Merchants Limited and Pontrilas Packaging Limited. The total bank borrowings of the group as at 31 July 2016 were £7,754,864 (2015 £8,777,180). The directors do not anticipate any liability arising as a result of these guarantees.

23. Loans

Analysis of the maturity of loans is given below:

	2016	2015
	£	£
Amounts falling due within one year		
Bank loans	**444,746**	50,313
	444,746	50,313
Amounts falling due 1-2 years		
Bank loans	**444,746**	444,000
	444,746	444,000
Amounts falling due 2-5 years		
Bank loans	**2,796,286**	1,056,000
	2,796,286	1,056,000
	3,685,778	1,550,313

Notes to the Financial Statements

For the Year Ended 31 July 2016

24. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	**764,790**	551,709
Between 1-2 years	**523,128**	436,729
Between 2-5 years	**989,488**	-
	2,277,406	988,438

25. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**13,410,250**	14,608,623
	13,410,250	14,608,623
Financial liabilities		
Financial liabilities measured at amortised cost	**(17,662,638)**	(19,208,585)
	(17,662,638)	(19,208,585)

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, amounts owed by group undertakings, amounts owed by commonly controlled entities and other debtors.

Financial Liabilities measured at amortised cost comprise of bank overdraft, bank loans, trade creditors, amounts owed to group undertakings, amounts owed to commonly controlled entities, hire purchase creditors, other creditors and accruals.

Notes to the Financial Statements

For the Year Ended 31 July 2016

26. Deferred taxation

	2016
	£
At beginning of year	**(690,489)**
Charged to the profit or loss	**114,182**
At end of year	**(576,307)**

The provision for deferred taxation is made up as follows:

	2016	2015
	£	£
Accelerated capital allowances	**(588,098)**	(697,543)
Other timing differences	**11,791**	7,054
	(576,307)	(690,489)

27. Share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	**10,000**	10,000

28. Reserves

Profit & loss account

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

29. Capital commitments

At 31 July 2016 the Company had capital commitments as follows:

	2016	2015
	£	£
Contracted for but not provided in these financial statements	**73,000**	325,804
	73,000	325,804

Notes to the Financial Statements
For the Year Ended 31 July 2016

30. Pension commitments

The Company operates a Defined benefit pension scheme.

This is a seperate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The scheme closed to future accrual on 30 April 2010. As a consequence the current service cost is £nil. A full actuarial valuation was carried out at 7 September 2014 and updated to 31 July 2016 by a qualified actuary, independent of the scheme's sponsoring employer.

The scheme is invested in a with profits deferred annuity contract with Pheonix Life Limited and in pooled investment fund managed by AXA.

The company paid contributions at the rate of £8,333 per month until 7 September 2015, then £12,500 per month thereafter.

Reconciliation of present value of plan liabilities:

	2016 £	2015 £
Reconciliation of present value of plan liabilities		
At the beginning of the year	**2,902,000**	2,668,000
Interest cost	**104,000**	106,000
Actuarial losses	**440,000**	410,000
Benefits paid	**(36,000)**	(304,000)
Expenses	**36,000**	22,000
At the end of the year	**3,446,000**	2,902,000

	2016 £	2015 £
Reconciliation of fair value of plan assets:		
At the beginning of the year	**2,355,000**	2,301,000
Interest income	**92,000**	96,000
Actuarial gains	**65,000**	-
Contributions	**323,000**	262,000
Benefits paid	**(36,000)**	(304,000)
At the end of the year	**2,799,000**	2,355,000

30. Pension commitments (continued)

Composition of plan assets:

	2016 £	2015 £
UK Equities	83,000	54,000
Overseas Equities	80,000	53,000
Corporate Bonds	78,000	48,000
Government Bonds	83,000	50,000
Property	47,000	37,000
Cash	12,000	2,000
Pension reserve	2,416,000	2,111,000
Total plan assets	**2,799,000**	2,355,000

	2016 £	2015 £
Fair value of plan assets	2,799,000	2,355,000
Present value of plan liabilities	(3,446,000)	(2,902,000)
Related deferred tax asset	116,460	109,400
Net pension scheme liability	**(530,540)**	(437,600)

The amounts recognised in profit or loss are as follows:

	2016 £	2015 £
Interest on obligation	(12,000)	(9,000)
Total	**(12,000)**	(9,000)

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £1,852,000 (2015 - £1,477,000).

Notes to the Financial Statements
For the Year Ended 31 July 2016

30. Pension commitments (continued)

The Pension Reserve referred to above relate to the Phoenix Life Pension Reserve.

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company.

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

	2016	2015
	%	%
Discount rate	**2.5**	3.6
Inflation (RPI)	**2.8**	3.3
Inflation (CPI)	**1.8**	2.3
Mortality rates		
- for a male aged 65 now	**22.4**	22.7
- at 65 for a male aged 45 now	**24.6**	24.9
- for a female aged 65 now	**24.5**	24.7
- at 65 for a female member aged 45 now	**26.8**	27

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2016	2015	2014	2013	2012
	£	£	£	£	£
Defined benefit obligation	**(3,446,000)**	(2,902,000)	(2,668,000)	(2,307,000)	(2,322,000)
Scheme assets	**2,799,000**	2,355,000	2,301,000	1,900,000	1,887,000
Surplus	**(647,000)**	(547,000)	(367,000)	(407,000)	(435,000)
Experience adjustments on scheme liabilities	**(440,000)**	(410,000)	(253,000)	(82,000)	(96,000)
Experience adjustments on scheme assets	**65,000**	(23,000)	7,000	(55,000)	11,000
	(375,000)	**(433,000)**	**(246,000)**	**(137,000)**	**(85,000)**

Notes to the Financial Statements
For the Year Ended 31 July 2016

31. Commitments under operating leases

At 31 July 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Not later than 1 year	**947,620**	1,375,358
Later than 1 year and not later than 2 years	**592,109**	618,282
Later than 2 years and not later than 5 years	**471,382**	446,806
Later than 5 years	**1,764,377**	1,841,089
	3,775,488	4,281,535

32. Related party transactions

The company has taken advantage of the exemption available in accordance with FRS 102 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary of the group to which it is a party to the transactions.

The company acts as an agent on behalf of an entity owned by J J S Hickman. The value of such agency transactions entered into in the year was £30,998 (2015: £25,754). The balance outstanding at the year end was £2,773 (2015: £Nil).

Mr Jeremy Hickman is a Director of the company. At 31 July 2016 there was a total amount of £5,090 (2015: £383 owed to Mr Jeremy Hickman) owed by Mr Jeremy Hickman to the company on his current account.

The company is a related party to Powys Building Supplies Limited, by virtue of Jeremy Hickman holding a common directorship. The company had balances outstanding at 31 July 2016 of £186,761 owed to Powys Building Supplies Limited, and £56,691 owed from Powys Building Supplies Limited.

33. Controlling party

Pontrilas Group Limited is the ultimate controlling party by virtue of its 100% share ownership of Pontrilas Sawmills Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Pontrilas Group Limited, a company registered in England and Wales. The registered office of Pontrilas Group Limited is the same for this company and the group accounts are available from this address.

34. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 August 2014. The impact of the transition to FRS 102 is as follows:

	Note	As previously stated 1 August 2014 £	Effect of transition 1 August 2014 £	**FRS 102 (as restated) 1 August 2014 £**	As previously stated 31 July 2015 £	Effect of transition 31 July 2015 £	**FRS 102 (as restated) 31 July 2015 £**
Fixed assets		9,976,239	280,000	**10,256,239**	14,424,451	260,000	**14,684,451**
Current assets		16,702,106	-	**16,702,106**	18,985,791	-	**18,985,791**
Creditors: amounts falling due within one year		(14,136,314)	(280,000)	**(14,416,314)**	(17,631,537)	(260,000)	**(17,891,537)**
Net current assets		2,565,792	(280,000)	**2,285,792**	1,354,254	(260,000)	**1,094,254**
Total assets less current liabilities		12,542,031	-	**12,542,031**	15,778,705	-	**15,778,705**
Creditors: amounts falling due after more than one year		(448,999)	-	**(448,999)**	(1,936,729)	-	**(1,936,729)**
Provisions for liabilities		(931,662)	-	**(931,662)**	(1,128,089)	-	**(1,128,089)**
Net assets		11,161,370	-	**11,161,370**	12,713,887	-	**12,713,887**
Capital and reserves		11,161,370	-	**11,161,370**	12,713,887	-	**12,713,887**

Notes to the Financial Statements

For the Year Ended 31 July 2016

34. First time adoption of FRS 102 (continued)

	Note	As previously stated 31 July 2015 £	Effect of transition 31 July 2015 £	**FRS 102 (as restated) 31 July 2015 £**
Turnover		36,201,743	-	**36,201,743**
Cost of sales		(28,532,212)	-	**(28,532,212)**
		7,669,531	-	**7,669,531**
Administrative expenses		(5,042,957)	-	**(5,042,957)**
Other operating income		110,068	-	**110,068**
Operating profit		2,736,642	-	**2,736,642**
Interest payable and similar charges		(146,208)	-	**(146,208)**
Other finance income		(9,000)	-	**(9,000)**
Taxation		(535,418)	-	**(535,418)**
Profit on ordinary activities after taxation and for the financial year		2,046,016	-	**2,046,016**

Explanation of changes to previously reported primary statements:

1 The FRS 102 adjustment relates to dilapidation costs provided for a property held under operating lease at Pontrilas Packaging Limited, for which Pontrilas Sawmills Limited is the guarantor. Previously, under old UK GAAP, the provision was being built annually over the life of the lease at £20,000 per year, with the total anticipated provision at the end of the lease being £500,000. Per FRS 102, there is a requirement to recognise the total dilapidation costs as an asset, with the corresponding provision as a creditor. The annual charge to the profit & loss account of £20,000 will be charge as depreciation until the net book value of the asset is £nil at the end of the lease.