

# Financial Statements

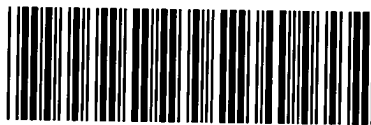
## Pontrilas Sawmills Limited

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For the Year Ended 31 July 2017

Registered number: 00457573

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## Company Information

**Directors**

J J S Hickman  
V S Hickman  
J J Poynton  
S A Poynton  
D R Mills (resigned 31 December 2016)  
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 2017

## 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 £2,454,735 (2016 - £2,302,342).

## 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 assets 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.

**Pontrilas Sawmills Limited**

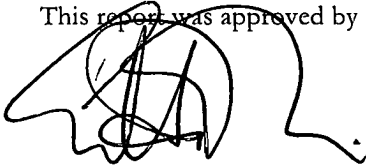
## **Strategic Report (continued)**

**For the Year Ended 31 July 2017**

### **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 **19 February 2018** and signed on its behalf.

A handwritten signature in black ink, appearing to be 'E B Hilton', written over a circular stamp or seal.

**E B Hilton**  
Director

## **Directors' Report**

**For the Year Ended 31 July 2017**

The directors present their report and the financial statements for the year ended 31 July 2017.

### **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 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.

### **Results and dividends**

The profit for the year, after taxation, amounted to £240,146 (2016 - £175,746).

The directors have not proposed a dividend (2016: £Nil).

### **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 (resigned 31 December 2016)  
B W C Pugh  
E B Hilton

## Directors' Report (continued)

For the Year Ended 31 July 2017

### Future developments

The Company achieved year-on-year growth in the volume of timber processed and sold, market forces though played a significant part in the underlying financial performance of the business. The Company has committed to further investment that will not only improve operational efficiencies but also it's offering to customers and so position itself to continue to grow it's market share.

### Employee involvement

The group's policy is to consult and discuss with employees matters likely to affect employees' interest.

Information of matters of concern to employees is communicated to employees.

### Disabled employees

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### 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 19 February 2018 and signed on its behalf.



E B Hilton  
Director

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

### Opinion

We have audited the financial statements of Pontrilas Sawmills Limited for the year ended 31 July 2017, 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 31 July 2017 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 Auditors' 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.

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.



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

### **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 information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **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.

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

### **Matters on which we are required to report by the Companies Act 2006**

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 and the Directors' report.

### **Matters on which we are required to report by exception**

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 3, 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.



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

### **Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's report.

A handwritten signature in black ink, appearing to read "Grant Owen UK CF".

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

Date:

19 February 2018

# Statement of Comprehensive Income

For the Year Ended 31 July 2017

	Note	2017 £	2016 £
Turnover	4	40,895,698	33,747,632
Cost of sales		(34,491,654)	(27,368,654)
<b>Gross profit</b>		<b>6,404,044</b>	<b>6,378,978</b>
Administrative expenses		(6,085,658)	(6,282,946)
Exceptional income		-	225,000
Other operating income	5	163,427	164,762
<b>Operating profit</b>	6	<b>481,813</b>	<b>485,794</b>
Interest payable and expenses	10	(191,533)	(233,013)
Other finance costs	11	(14,000)	(12,000)
<b>Profit before tax</b>		<b>276,280</b>	<b>240,781</b>
Tax on profit	12	(36,134)	(65,035)
<b>Profit for the financial year</b>		<b>240,146</b>	<b>175,746</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit schemes		38,000	(375,000)
Movements of deferred tax relating to pension deficit		(6,460)	75,000
		<b>31,540</b>	<b>(300,000)</b>
<b>Total comprehensive income for the year</b>		<b>271,686</b>	<b>(124,254)</b>

The notes on pages 14 to 35 form part of these financial statements.

## Balance Sheet

As at 31 July 2017

	Note	2017 £	2016 £
Intangible assets	14	574,153	605,975
Tangible assets	15	16,344,447	14,104,803
Investments	16	15,000	15,000
		<u>16,933,600</u>	<u>14,725,778</u>
<b>Current assets</b>			
Stocks	17	4,383,744	3,700,445
Debtors: amounts falling due within one year	18	14,525,292	13,615,206
Cash at bank and in hand	19	19,134	123,892
		<u>18,928,170</u>	<u>17,439,543</u>
Creditors: amounts falling due within one year	20	(18,060,174)	(13,715,193)
<b>Net current assets</b>		<u>867,996</u>	<u>3,724,350</u>
<b>Total assets less current liabilities</b>		<u>17,801,596</u>	<u>18,450,128</u>
Creditors: amounts falling due after more than one year	21	(3,994,061)	(4,753,648)
		<u>13,807,535</u>	<u>13,696,480</u>
<b>Provisions for liabilities</b>			
Deferred taxation	25	(533,706)	(576,307)
		<u>(533,706)</u>	<u>(576,307)</u>
<b>Net assets excluding pension liability</b>		<u>13,273,829</u>	<u>13,120,173</u>
Pension liability	29	(412,510)	(530,540)
<b>Net assets</b>		<u><u>12,861,319</u></u>	<u><u>12,589,633</u></u>

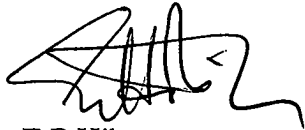
**Pontrilas Sawmills Limited**  
**Registered number:00457573**

## Balance Sheet (continued)

As at 31 July 2017

	Note	2017 £	2016 £
<b>Capital and reserves</b>			
Called up share capital	26	10,000	10,000
Profit and loss account	27	12,851,319	12,579,633
		<u>12,861,319</u>	<u>12,589,633</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19/2/18



**E B Hilton**  
Director

The notes on pages 14 to 35 form part of these financial statements.

# Statement of Changes in Equity

For the Year Ended 31 July 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2016	10,000	12,579,633	12,589,633
<b>Comprehensive income for the year</b>			
Profit for the year	-	240,146	240,146
Actuarial gains on pension scheme	-	31,540	31,540
<b>Total comprehensive income for the year</b>	-	271,686	271,686
<b>At 31 July 2017</b>	<b>10,000</b>	<b>12,851,319</b>	<b>12,861,319</b>

# 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
<b>Comprehensive income for the year</b>			
Profit for the year	-	175,746	175,746
Actuarial losses on pension scheme	-	(300,000)	(300,000)
<b>Total comprehensive income for the year</b>	-	(124,254)	(124,254)
<b>At 31 July 2016</b>	<b>10,000</b>	<b>12,579,633</b>	<b>12,589,633</b>

The notes on pages 14 to 35 form part of these financial statements.



# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 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 unless otherwise specified within these accounting policies 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.

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.

### 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.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 2. Accounting policies (continued)

### 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 ten years.

Amortisation is provided on the following bases:

Power supply upgrade	-	5 % straight line
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### 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% straight line
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 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 out basis. 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.

### 2.7 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.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 2. Accounting policies (continued)

### 2.8 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.

### 2.9 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 debtors and creditors, 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 Statement of comprehensive income.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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

### 2.10 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.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## **2. Accounting policies (continued)**

### **2.11 Finance costs**

Finance costs are charged to the Statement of comprehensive income 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.

### **2.12 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 2. Accounting policies (continued)

### 2.13 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 payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income 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'.

### 2.14 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 2. Accounting policies (continued)

### 2.15 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 Statement of comprehensive income 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.

### 2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge 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.

### 2.17 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 2017

## 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

	2017 £	2016 £
Sundry income	163,427	164,762
	<u>163,427</u>	<u>164,762</u>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 6. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	1,941,100	1,787,066
Amortisation of intangible assets, including goodwill	31,822	30,482
Defined contribution pension cost	154,695	158,895
Operating lease rentals: - plant and machinery	1,300,732	1,140,209

## 7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	15,500	16,050
	<u>15,500</u>	<u>16,050</u>

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

Tax compliance services	<u>2,750</u>	<u>2,750</u>
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# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 8. Employees

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

	2017 £	2016 £
Wages and salaries	7,550,061	6,610,330
Social security costs	769,137	638,228
Pension costs	154,695	158,895
	<u>8,473,893</u>	<u>7,407,453</u>

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

	2017 No.	2016 No.
Management and administration	33	36
Production and selling	242	215
	<u>275</u>	<u>251</u>

## 9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	895,444	1,176,866
Company contributions to defined contribution pension schemes	35,958	38,291
	<u>931,402</u>	<u>1,215,157</u>

During the year retirement benefits were accruing to 5 directors (2016 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £374,723 (2016 - £379,058).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2016 - £NIL).

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	127,518	166,761
Finance leases and hire purchase contracts	64,015	66,252
	<u>191,533</u>	<u>233,013</u>

## 11. Other finance costs

	2017 £	2016 £
Net interest on net defined benefit liability	(14,000)	(12,000)
	<u>(14,000)</u>	<u>(12,000)</u>

## 12. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	172,000	85,000
Adjustments in respect of previous periods	(118,775)	26,277
<b>Total current tax</b>	<u>53,225</u>	<u>111,277</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(17,091)	(46,242)
<b>Total deferred tax</b>	<u>(17,091)</u>	<u>(46,242)</u>
<b>Taxation on profit on ordinary activities</b>	<u>36,134</u>	<u>65,035</u>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 12. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.67% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	276,280	240,780
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.67% (2016 - 20%)	54,344	48,156
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	40,824	43,908
Research and development relief	-	6,096
Adjustments to tax charge in respect of prior periods	(97,086)	(67,931)
Non-qualification depreciation	31,995	31,802
Rate difference on actuarial gain	1,015	-
Change in corporation tax rate	(34)	-
Change in deferred tax rate	5,076	3,004
<b>Total tax charge for the year</b>	<b>36,134</b>	<b>65,035</b>

## 13. Exceptional items

	2017 £	2016 £
Insurance income for business disruption	-	225,000
	-	225,000

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.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 14. Intangible assets

	Power Supply Upgrade £
<b>Cost</b>	
At 1 August 2016	636,457
At 31 July 2017	636,457
<b>Amortisation</b>	
At 1 August 2016	30,482
Charge for the year	31,822
At 31 July 2017	62,304
<b>Net book value</b>	
At 31 July 2017	574,153
At 31 July 2016	605,975

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 15. Tangible fixed assets

	Land & Buildings £	Plant & machinery £	Fixtures, fittings, computer equipment and motor vehicles £	Assets under construction £	Total £
<b>Cost or valuation</b>					
At 1 August 2016	7,427,736	21,117,769	356,336	255,910	29,157,751
Additions	300,325	1,241,187	65,503	2,584,746	4,191,761
Disposals	-	-	(40,530)	-	(40,530)
Transfers between classes	47,151	186,511	-	(233,662)	-
At 31 July 2017	<u>7,775,212</u>	<u>22,545,467</u>	<u>381,309</u>	<u>2,606,994</u>	<u>33,308,982</u>
<b>Depreciation</b>					
At 1 August 2016	2,224,921	12,593,643	234,384	-	15,052,948
Charge for the year on owned assets	355,766	1,507,282	78,052	-	1,941,100
Disposals	-	-	(29,513)	-	(29,513)
At 31 July 2017	<u>2,580,687</u>	<u>14,100,925</u>	<u>282,923</u>	<u>-</u>	<u>16,964,535</u>
<b>Net book value</b>					
At 31 July 2017	<u>5,194,525</u>	<u>8,444,542</u>	<u>98,386</u>	<u>2,606,994</u>	<u>16,344,447</u>
At 31 July 2016	<u>5,202,815</u>	<u>8,524,126</u>	<u>121,952</u>	<u>255,910</u>	<u>14,104,803</u>

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:

	2017 £	2016 £
Plant and machinery	<u>3,794,149</u>	<u>5,833,153</u>
	<u>3,794,149</u>	<u>5,833,153</u>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 16. Fixed asset investments

	Unlisted investments £
<b>Cost or valuation</b>	
At 1 August 2016	15,000
At 31 July 2017	15,000
At 31 July 2016	15,000

## 17. Stocks

	2017 £	2016 £
Raw materials and consumables	1,050,704	815,103
Finished goods and goods for resale	3,333,040	2,885,342
	<u>4,383,744</u>	<u>3,700,445</u>

Included in the above stock balances is a provision of £58,890 (2016 - £58,890).

## 18. Debtors

	2017 £	2016 £
Trade debtors	8,378,295	7,549,034
Amounts owed by group undertakings	5,655,724	5,558,206
Amounts owed by commonly controlled entities	56,691	56,691
Other debtors	78,866	123,177
Prepayments and accrued income	355,716	328,098
	<u>14,525,292</u>	<u>13,615,206</u>

The amounts owed from group undertakings are unsecured and interest free. £1,688,334 (2016 - £1,556,691) is due from Pontrilas Merchants Limited in more than one year.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 19. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	19,134	123,892
Less: bank overdrafts	(5,656,018)	(3,169,086)
	<u>(5,636,884)</u>	<u>(3,045,194)</u>

## 20. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts	5,656,018	3,169,086
Bank loans	444,746	444,746
Trade creditors	6,705,307	4,981,897
Amounts owed to commonly controlled entities	186,761	186,761
Amounts owed to group undertakings	1,860,000	1,860,000
Corporation tax	56,440	70,267
Taxation and social security	1,022,386	735,186
Obligations under finance lease and hire purchase contracts	618,115	764,790
Other creditors	178,301	138,048
Accruals and deferred income	1,332,100	1,364,412
	<u>18,060,174</u>	<u>13,715,193</u>

## 21. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	2,796,599	3,241,032
Net obligations under finance leases and hire purchase contracts	1,197,462	1,512,616
	<u>3,994,061</u>	<u>4,753,648</u>

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 loans and Pontrilas Group Limited, Pontrilas Merchants Limited and Pontrilas Packaging Limited. The total bank borrowings of the group as at 31 July 2017 were £9,793,410 (2016 - £7,754,864). The directors do not anticipate any liability arising as a result of these guarantees.

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 22. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
<b>Amounts falling due within one year</b>		
Bank loans	444,746	444,746
	<u>444,746</u>	<u>444,746</u>
<b>Amounts falling due 1-2 years</b>		
Bank loans	2,796,599	444,746
	<u>2,796,599</u>	<u>444,746</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	-	2,796,286
	<u>-</u>	<u>2,796,286</u>
	<u>3,241,345</u>	<u>3,685,778</u>

## 23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	618,115	764,790
Between 1-2 years	524,388	523,128
Between 2-5 years	673,074	989,488
	<u>1,815,577</u>	<u>2,277,406</u>



# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 24. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	14,188,710	13,411,000
	<u>14,188,710</u>	<u>13,411,000</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(20,975,409)	(17,663,388)
	<u>(20,975,409)</u>	<u>(17,663,388)</u>

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.

## 25. Deferred taxation

	2017 £	2016 £
At beginning of year	(576,307)	(690,489)
Charged to profit or loss	42,601	114,182
<b>At end of year</b>	<u>(533,706)</u>	<u>(576,307)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(541,030)	(588,098)
Other timing differences	7,324	11,791
	<u>(533,706)</u>	<u>(576,307)</u>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 26. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

## 27. Reserves

### Profit & loss account

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

## 28. Capital commitments

At 31 July 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>2,024,849</u>	<u>73,000</u>
	<u>2,024,849</u>	<u>73,000</u>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 29. Pension commitments

The Company operates a Defined benefit pension scheme.

This is a separate 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 2017 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:

	2017 £	2016 £
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	3,446,000	2,902,000
Interest cost	86,000	104,000
Actuarial losses	3,000	440,000
Benefits paid	(24,000)	(36,000)
Expenses	24,000	36,000
<b>At the end of the year</b>	<b>3,535,000</b>	<b>3,446,000</b>

	2017 £	2016 £
At the beginning of the year	2,799,000	2,355,000
Interest income	72,000	92,000
Actuarial gains	41,000	65,000
Contributions	150,000	323,000
Benefits paid	(24,000)	(36,000)
<b>At the end of the year</b>	<b>3,038,000</b>	<b>2,799,000</b>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 29. Pension commitments (continued)

Composition of plan assets:

	2017 £	2016 £
UK Equities	92,000	83,000
Overseas Equities	88,000	80,000
Corporate Bonds	74,000	78,000
Government Bonds	75,000	83,000
Property	49,000	47,000
Cash	15,000	12,000
Pension reserve	2,645,000	2,416,000
<b>Total plan assets</b>	<b>3,038,000</b>	<b>2,799,000</b>
	2017 £	2016 £
Fair value of plan assets	3,038,000	2,799,000
Present value of plan liabilities	(3,535,000)	(3,446,000)
Related deferred tax asset	84,490	116,460
<b>Net pension scheme liability</b>	<b>(412,510)</b>	<b>(530,540)</b>

The amounts recognised in profit or loss are as follows:

	2017 £	2016 £
Interest on obligation	(14,000)	(12,000)
<b>Total</b>	<b>(14,000)</b>	<b>(12,000)</b>

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £1,814,000 (2016 - £1,852,000).

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 29. 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):

	2017 %	2016 %
Discount rate	2.6	2.5
Inflation (RPI)	3.2	2.8
Inflation (CPI)	2.2	1.8
Mortality rates		
- for a male aged 65 now	22.1	22.4
- at 65 for a male aged 45 now	23.5	24.6
- for a female aged 65 now	23.9	24.5
- at 65 for a female member aged 45 now	25.4	26.8

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

Defined benefit pension schemes

	2017 £	2016 £	2015 £	2014 £	2013 £
Defined benefit obligation	(3,535,000)	(3,446,000)	(2,902,000)	(2,668,000)	(2,307,000)
Scheme assets	3,038,000	2,799,000	2,355,000	2,301,000	1,900,000
<b>Deficit</b>	<b>(497,000)</b>	<b>(647,000)</b>	<b>(547,000)</b>	<b>(367,000)</b>	<b>(407,000)</b>
Experience adjustments on scheme liabilities	(3,000)	(440,000)	(410,000)	(253,000)	(82,000)
Experience adjustments on scheme assets	41,000	65,000	(23,000)	7,000	(55,000)
	<b>38,000</b>	<b>(375,000)</b>	<b>(433,000)</b>	<b>(246,000)</b>	<b>(137,000)</b>

# Notes to the Financial Statements

For the Year Ended 31 July 2017

## 30. Commitments under operating leases

At 31 July 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	937,698	947,620
Later than 1 year and not later than 2 years	594,025	592,109
Later than 2 years and not later than 5 years	415,032	471,382
Later than 5 years	1,718,136	1,764,377
	<u>3,664,891</u>	<u>3,775,488</u>

## 31. 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 £27,467 (2016: £30,998). The balance outstanding at the year end was £2,564 (2016: £2,773).

Mr Jeremy Hickman is a Director of the company. At 31 July 2017 there was a total amount of £4,151 (2016: £5,090) 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 2017 of £186,761 (2016: £186,761) owed to Powys Building Supplies Limited, and £56,691 (2016: £56,691) owed from Powys Building Supplies Limited.

## 32. 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.