DANZER UK LIMITED

Annual Report and Financial Statements

Year ended

31 December 2017

Registered no : 1387446

Danzer UK Limited

Annual report and financial statements

Year ended 31 December 2017

Contents

Danzer UK Limited

Annual report and financial statements

Year ended 31 December 2017

Directors and advisors

Directors

H-J Danzer (Chairman)
M Pfister
K A Walsh
M Evans
J R Angel

Secretary and registered office

L Hawes
46 Market Hill
Maldon
Essex
CM9 4QA

Registered Auditor

KPMG LLP
100 Hills Road
Cambridge
CB2 1AR

Solicitors

Tolhurst Fisher
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Bankers

Barclays Bank plc
Priory Place
Level 3
New London Road
Chelmsford
Essex
CM2 0PP

Strategic report

The directors of Danzer UK Limited (the "Company") present their strategic report for the year ended 31 December 2017.

Principal activities and business review

The Company sells timber (mainly hardwood) and added value products sourced from Europe, Africa, North America and Asia.

During the year sales of goods decreased by 2.2% (2016: 16.0% increase) and operating profit by 33.7% (2016: 155.2% increase) due to increased activity.

Future outlook

Despite the uncertainty generated by BREXIT we have forecast similar levels of activity in 2018 as to 2017.

Business environment

The Company continues to operate in a challenging and highly competitive market.

The EU Timber Regulation (EUTR) has made it a legal obligation for all operators to have a robust due diligence system in place to ensure that all timber products imported into the EU are from a credible legal origin.

The Company has had a strict procurement policy in place for many years to ensure that all timber that enters its supply chain is from legal and ultimately sustainable source.

We view the growing environmental awareness of our customers as a positive development and are well equipped to meet their demands with our clear and transparent procurement procedures.

Strategy

The Company's overriding objective is to grow organically with attractive returns.

There are four key elements to the company's strategy for growth. They are:

Getting Closer

To identify customer needs and to source sufficient product of good quality at competitive prices to meet those needs on a timely basis.

Strategic report (continued)

Sustainability and environmental responsibility

In line with the environmental and business philosophy of the Danzer Group, the Company is committed to only buying from legal and sustainable sources and encourages and promotes sustainable forest management.

As part of this strategy Danzer Group are fully audited signatories of the UK Timber Trade Federation's Responsible Purchasing Policy ("RPP"). All purchases of timber and related products are assessed against RPP legality and sustainability criteria which enable us to exercise due diligence in all of our purchasing decisions.

Long term relationships

To build trusting and lasting mutually beneficial relationships with customers and suppliers through already high and continually improving levels of service.

Investment in employees

To invest in employees in order to retain and service existing business and to develop new business.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the company are set out below.

Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them.

Competition

The Company operates in a highly competitive market, as mentioned previously, particularly around price and product availability. In order to mitigate this risk, management together with the sales team have long term relationships as a priority.

Employees

The Company's performance depends largely on its employees. The resignation of key individuals combined with any inability to recruit people with the right skills and experience could adversely impact on the company's results. To mitigate these issues the company has taken steps for certain employees to further develop appropriate skills and increase their knowledge of the business, and have implemented bonus schemes linked to the company's results to retain key individuals.

Strategic report (continued)

Supply chain

As a consequence of depleted supply lines due to global economic uncertainty for a number of hardwood species and long supply lead times consistent supply is an issue. The company mitigates this risk by entering into long term forward contracts with suppliers.

Key performance indicators ("KPIs")

The Company's strategy for growth has been setback by the slow recovery of the UK economy. The board monitors progress on the overall company strategy and individual strategic elements by reference to four KPI's.

Performance during the year, together with historical trend data is set out below:

	2017	**2016**		**Definition, method of calculation and analysis**
Growth in sales %	-2.2	16.5		Year on sales growth expressed as a percentage.
Gross margin %	10.2	10.8		Gross profit expressed as a percentage of turnover
Return on invested capital %	10.6	16.2		Operating profit expressed as a percentage of average net assets.
Operating profit as a % of turnover	2.2	3.3		Operating profit expressed as a percentage of turnover.

Strategic report (continued)

Results

The results for the company show a pre-tax profit of £559k (2016: £908k) for the year and turnover of £28,690k (2016: £29,354k). The company has net assets of £6,120k (2016: £6,235k). Net cash inflow from operating activities for 2017 was £414k (2016: outflow £737k).

By order of the board

Leigh Hawes

L Hawes
Secretary

26 June 2018

46 Market Hill
Maldon
Essex
CM9 4QA

Directors' report

The directors present their report for the year ended 31 December 2017. The principal activities and business review and principal risks and uncertainties have been included in the strategic report on page 2.

Dividends

A dividend of £548k was declared for 2016 and paid on 28 February 2017.

The directors have declared a dividend of £363k for 2017 which was paid on 28 February 2018. This dividend has not been included within creditors as it was not approved before year end.

The payment of the dividend of £548k for 2016 resulted in retained profit of £433k (2016: retained profit £556k) being credited to reserves.

Directors

The directors of the company during the year ended 31 December 2017 and to the date of this report were:
H–J Danzer (Chairman)
M Pfister
K A Walsh
M Evans
J R Angel

Changes in fixed assets

The movement in tangible fixed assets during the year is set out in note 12 to the financial statements.

Political and charitable contributions

The company made no political donations or incurred any political expenditure during the year. Charitable donations were £30 (2016: £556).

Statement of disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish the company's auditor is aware of that information.

Directors' report (continued)

Other information

An indication of likely future developments in the business, the business environment and the Company's strategy have been included in the strategic report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Leigh Hawes

L Hawes
Secretary

26 June 2018

46 Market Hill
Maldon
Essex
CM9 4QA

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DANZER UK LIMTED

Opinion

We have audited the financial statements of Danzer UK Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account, Balance Sheet, Statement of changes in equity, Statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
CB2 1AR

26 June 2018

Profit and loss account

	Note	2017 £'000	2016 £'000
Turnover	5	**28,690**	29,354
Cost of sale		**(25,761)**	(26,198)
Gross profit		**2,929**	3,156
Distribution costs		**(1,751)**	(1,713)
Administration expenses		**(537)**	(476)
Operating profit	6	**641**	967
Interest receivable and similar income	9	**9**	22
Interest payable and similar expenses	10	**(91)**	(81)
Profit before taxation		**559**	908
Tax on profit	11	**(126)**	(177)
Profit for the financial year		**433**	731

Statement of comprehensive income

	2017 £'000	2016 £'000
Profit for the financial year	**433**	731
Total comprehensive income for the year	**433**	731

Balance sheet

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	12	**122**	128
Current assets			
Stocks	13	**6,401**	**6,812**
Debtors	14	**5,422**	**5,610**
Cash at bank and in hand		**162**	116
		11,985	12,538
Creditors – amounts falling due within one year	15	**(5,987)**	(6,431)
Net current assets		**5,998**	6,107
Total assets less current liabilities		**6,120**	6,235
Net assets		**6,120**	6,235
Capital and reserves			
Called-up share capital	19	**150**	150
Retained earnings		**5,970**	6,085
Total equity		**6,120**	6,235

The notes on pages 15 to 32 are an integral part of these financial statements.

The financial statements on pages 11 to 32 were authorised for issue by the board of directors on 26 June 2018 and were signed on its behalf.

K A Walsh

Managing Director

Danzer UK Limited

Registered no. 1387446

Statement of changes in equity

	Note	Called-up share capital £'000	Retained earnings £'000	Total £'000
Balances as at 1 January 2016		150	5,529	5,679
Profit for the year		-	731	731
		-	6,260	6,410
Dividends	20	-	(175)	(175)
Balances as at 31 December 2016		150	6,085	6,235
Balances as at 1 January 2017		**150**	**6,085**	**6,235**
Profit for the year		-	**433**	**433**
		150	**6,518**	**6,668**
Dividends	20	-	**(548)**	**(548)**
Balances as at 31 December 2017		**150**	**5,970**	**6,120**

The notes on pages 15 to 32 are an integral part of these financial statements.

Statement of cash flows

	Note	**2017** **£'000**	2016 £'000
Net cash from operating activities	21	**414**	(737)
Taxation paid		**(154)**	(119)
Net cash from operating activities		**260**	(856)
Cash flow from investing activities			
Purchase of tangible assets		**(45)**	(34)
Proceeds from disposals of tangible assets		**9**	9
Interest received		**9**	22
Net cash from investing activities		**(28)**	(3)
Cash flow from financing activities			
Dividends paid	20	**(548)**	(175)
Interest paid		**(91)**	(81)
Net cash from financing activities		**(638)**	(256)
Net decrease in cash and cash equivalents		**(406)**	(1,115)
Cash and cash equivalents at the beginning of the year		**(3,336)**	(2,221)
Cash and cash equivalents at the end of the year		**(3,742)**	(3,336)
Cash and cash equivalents consist of:			
Cash at bank and in hand		**162**	116
Bank overdraft	15	**(3,904)**	(3,452)
		(3,742)	(3,336)

The notes on pages 15 to 32 are an integral part of these financial statements.

Notes to the financial statements

1 General Information

Danzer UK Limited (the "Company") sells timber (mainly hardwood) and added value products sourced from Europe, Africa, North America and Asia primarily to trade customers within the UK and Ireland.

The Company is a private company incorporated, domiciled and registered in England in the UK. The registered number is 1387446 and the registered address is 46 Market Hill, Maldon, Essex, CM9 4QA.

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has not taken advantage of any available exemption for qualifying entities.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historic cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going concern

The Company meets its day-to-day working capital through its bank facility. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of bank finance for the foreseeable future. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the

3 Summary of significant accounting policies (continued)

(b) Going concern (continued)

Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Foreign currency

(i) The Company's functional and presentational currency

The Company's functional and presentational currency is the pound sterling.

(ii) *Transactions and balances*

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historic cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses are included in the profit and loss account in cost of sales.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The Company bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

3 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(i) Sales of timber and value added products

The Company sells timber to timber wholesalers and value added products to trade suppliers. Sales are recognised on delivery when the customer has full discretion over the channel and price that could affect the customers over the channel and price to sell product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the goods have been shipped to the location specified by the customer, the risks of obsolescence or loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

Goods sold may be sold with value rebates and also with the provision for customers to return faulty goods. Sales are measured at the prices specified in the sale contract and provisions made for sales value rebates and returns. Value rebates are based on annual purchases and are payable after year end. Accumulated experience is used to estimate and provide for returns and warranty issues which cannot be recharged to suppliers.

Sales are made under different credit terms. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

(ii) Sales commission

Commission receivable on timber sold as agents for other companies is recognised on receipt and included in turnover.

(iii) Interest income

Interest may be charged on extension of payment terms. Interest charged is either invoiced in advance of payment or added to a bill of exchange for collection. Interest income is included in the profit and loss account in interest receivable and similar income.

(iv) Early payment discounts

Early payment discounts given to customers and receivable from suppliers are recognised at time of receipt of payment or at the time payment is made. Early payment discounts are included in the profit and loss account in cost of sales.

(v) Supplier prepayment discounts

Supplier prepayment discounts are recognised in the year in the period to which they relate and are included in the profit and loss account in cost of sales.

3 Summary of significant accounting policies (continued)

(e) Employee benefits

(i) Short term benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plan.

(ii) 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. Employees may make contributions into the plan under salary exchange. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plans a result of past events and a reliable estimate of the obligation can be made.

(f) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account.

Current or deferred taxation assets and liabilities are not discounted.

(g) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise

3 Summary of significant accounting policies (continued)

(g) Taxation (continued)

from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

(i) Land and buildings

Land and buildings consist of a freehold office converted from its original use as a restaurant and flats and are stated at purchase cost plus property conversion cost less accumulated depreciation.

(ii) Fixtures, fittings and equipment and motor cars

Fixtures, fittings and equipment and motor cars are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Depreciation on assets is calculated using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Freehold land and building - 30 years
- Property conversion cost - 20 years
- Fixtures, fittings and equipment - 5 to 10 years
- Motor cars - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

3 Summary of significant accounting policies (continued)

(h) Tangible assets (continued)

(iv) Derecognition

Tangible assets are derecognized on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account in distribution costs and administration expenses.

(i) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Leased assets

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line-basis over the period of the lease.

(k) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

In general cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including any kilning charges and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less any selling costs and an impairment charge is recognised in the profit and loss account. In addition if an item of inventory is over one year old, the item is also subject to an impairment charge based on its age which is also recognised in the profit and loss account. Where a reversal of impairment charge is recognised the original loss is recognised as a credit in the profit and loss account.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

3 Summary of significant accounting policies (continued)

(m) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provision is not made for future operating losses.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote .

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(n) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price.

At the end of each reporting period financial assets are measured at amortised cost using the effective interest method, subject to any impairment loss. If an asset is impaired the impairment loss is recognised in profit and loss.

(ii) Financial liabilities

Basic financial liabilities, include trade and other payables and bank loans are initially recognised at transaction price.

The company does not have any bank loans other than overdraft or any other financial liabilities.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(n) Financial instruments (continued)

(iii) Foreign exchange derivatives

Foreign exchange derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in foreign exchange gains or losses.

(o) Share capital

Ordinary shares are classified as equity.

(p) Dividends to equity holders

Dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. These amounts are recognized in the statement of changes in equity.

(q) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4 Critical accounting judgements and estimation of uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factor, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(h) Inventory provisioning

The long lead times that the company experiences in purchasing timber coupled with variable customer demand leads to significant variations in inventory holding. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory and also its age. See note 13 for the net carrying amount of the inventory and associated provision.

5 Turnover

Analysis of turnover by geography

	2017	2016
	£'000	£'000
United Kingdom	**28,256**	28,956
Other EC countries	**392**	396
USA	**-**	2
Middle East	**22**	-
	28,670	29,354

Analysis of turnover by category

	2017	2016
	£'000	£'000
Sales of goods	**28,635**	29,294
Commissions	**55**	60
	28,670	29,354

6 Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation of tangible assets	**38**	38
Loss/(gain) on disposal of tangible assets	**5**	(4)
Foreign exchange (gains)/losses	**(14)**	107
Operating lease charges - vehicles	**12**	12
Auditor's remuneration – these financial statements	**19**	18

7 Employee numbers and costs

The average monthly number of persons (including directors) employed by the company during the year was:

	2017	2016
	No.	No.
Selling and distribution	**12**	12
Administration	**4**	4
	16	16

The aggregate payroll cost of these persons was as follows:

	2017	2016
	£'000	£'000
Wages and salaries	**784**	779
Social security costs	**101**	102
Other pension costs – contributions to defined contributions plans	**90**	90
	975	982

8 Directors' remuneration

	2017	2016
	£'000	£'000
Aggregate emoluments	**405**	410
Contributions to money purchase pension plans	**37**	49
	442	459

The number of directors for whom the company made pension contributions to individual personal money purchase pension plans was 3 (2016 : 3).

The highest paid director's emoluments were as follows:

	2017	2016
	£'000	£'000
Aggregate emoluments	**164**	171
Contribution to money purchase pension plan	**15**	22
	179	193

9 Interest receivable and similar income

	2017 £'000	2016 £'000
On customer payments	9	8
On bank loans	-	14
	9	22

10 Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable on bank overdraft and trade loans	90	78
On tax unpaid	1	3
	91	81

11 Taxation

	2017 £'000	2016 £'000
Current tax		
UK Corporation tax on profits for the year	125	167
Total current tax	125	167
Deferred tax (see note 17)		
Origination and reversal of timing difference	1	10
Total deferred tax	1	10
Tax on profit on ordinary activities	126	177

11 Taxation (continued)

Reconciliation of tax charge

Tax assessed for the period is more (2016: less) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20.25%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	**559**	908
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016: 20.25%)	**108**	182
Effects of:		
Expenses not deductible for tax purposes	**25**	4
Unrecognised deferred tax	**(7)**	(9)
Tax charge for the year	**126**	177

Tax rate changes

The tax rate for the current year period is lower than the prior period due to a change in the UK Corporation tax rate which decreased from 20% to 19% (effective from 1 April 2017) where this change was substantively enacted on 26 October 2015.

A further reduction of to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This further reduction will reduce the company's future current tax charge, accordingly. The calculation of the deferred tax asset and deferred tax liability at 31 December 2017 has been based on these rates.

12 Tangible assets

	Freehold land and Buildings £'000	Fixtures fittings and equipment £'000	Motor cars £'000	Total £'000
Cost				
At 1 January 2017	246	58	139	443
Additions	-	20	25	45
Disposals	-	(15)	(20)	(35)
At 31 December 2017	**246**	**63**	**144**	**453**
Depreciation				
At 1 January 2017	197	53	65	315
Charge for the year	7	3	28	38
Disposals	-	(14)	(8)	(22)
At 31 December 2017	**204**	**42**	**85**	**331**
Net book value				
At 31 December 2017	**42**	**21**	**59**	**122**
At 31 December 2016	49	5	74	128

Freehold land and buildings include conversion costs which had a net book value at 31 December 2017 of £8k (2016 £11k).

13 Stocks

	2017 £'000	2016 £'000
Finished goods for resale	**6,401**	6,812

The write down of stocks to net realisable value amounted to £123,000 (2016: £128,000). The reversal of write downs amounted to £63,000 (2016: £186,000). The write down and reversal are included in cost of sales.

13 Stocks (continued)

There is no significant difference between the replacement cost of stocks and their carrying a mounts.

14 Debtors

	2017	2016
	£'000	£'000
Trade debtors	4,975	5,572
Derivative financial instrument	-	2
Prepayments and accrued income	3	3
Deferred tax asset	32	33
Amounts due from group undertakings	412	-
	5,422	5,610

Trade debtors are stated after provisions for impairment of £nil (2016: £nil).

The derivative financial instrument is a forward foreign exchange contract measured at fair value – see note 18.

All amounts shown under debtors are due within one year except the deferred tax asset which is recognised in respect of temporary timing differences – see note 17.

15 Creditors : amounts falling due within one year

	2017	2016
	£'000	£'000
Bank overdraft	3,904	3,452
Trade creditors	1,600	2,139
Amounts owed to group undertakings	-	288
Corporation tax	60	88
Other taxation and social security	246	307
Accruals and deferred income	177	157
	5,987	6,431

15 Creditors : amounts falling due within one year (continued)

The overdraft is guaranteed by a charge over the company's fixed assets, inventory and book debts. The overdraft facility is renewed annually and is technically repayable on demand, but is expected to remain available to the company for the foreseeable future. In common with many businesses today the company meets its day to day working capital requirements through its overdraft.

Amounts due to group undertakings are in respect of trade purchases.

16 Pensions

The company provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme was:

	2017	2016
	£'000	£'000
Current period contributions	**90**	90

17 Deferred tax

	Liability	**Asset**	**Total**
	£'000	£'000	£'000
At a January 2017	-	(33)	(33)
Charged to profit and loss	(7)	8	1
At 31 December 2017	**(7)**	**(25)**	**(32)**
Transfer to Deferred Tax Asset	**7**	**(7)**	-
	-	**(32)**	**(32)**

The provision for deferred tax consists of the following deferred tax liabilities /(assets):

	2017	2016
	£'000	£'000
Accelerated capital allowances	**3**	(5)
Other timing differences	**(35)**	(28)
	(32)	(33)

17 Deferred tax (continued)

There are no unused tax losses or unused tax credits.

The net deferred tax asset expected to reverse in 2017 is £5,000. This primarily relates to the reversal of timing differences on provisions.

18 Financial instruments

The company has the following financial instruments:

	2017 £'000	2016 £'000
Financial assets that are debt Instruments measured at amortised cost		
Trade debtors	**4,975**	5,572
Amounts from group undertakings	**412**	-
	5,387	5,572
Financial assets measured at fair value through profit or loss		
Derivative financial instruments	-	2
Financial liabilities measured at amortised cost		
Bank overdraft	**3,904**	3,452
Trade creditors	**1,600**	2,139
Amounts owed to group undertakings	-	288
	5,504	5,879

Derivative financial instruments
At 31 December 2017 the company has no derivative financial instruments. At 31 December 2016 the company is committed to buy USD 100,000 on 30 January for £79,104.41 under a forward foreign exchange contract

19 Share capital

Allotted called up and fully paid

	2017	2016
	£'000	£'000
150,000 ordinary shares of £1 each	150	150

20 Dividends

	2017	2016
	£'000	£'000
Equity dividends on ordinary shares paid in year		
First and final 2016	548	175

Subject to ratification of shareholders at the 2018 AGM a first and final dividend of £433,000 will be paid for the year ended 31 December 2017 in March 2018 which will be accounted as an appropriation out of retained earnings for the year ended 31 December 2018.

21 Notes to the statement of cash flows

	2017	2016
	£'000	£'000
Profit for the financial year	433	731
Tax on profit	126	177
Interest payable and similar expenses	91	81
Interest receivable and other income	(9)	(22)
Operating profit	641	967
Depreciation of tangible assets	38	38
Loss/(gain) on disposal of tangible assets	4	(4)
Decrease/(increase) in stocks	411	(929)
Decrease/(increase) in debtors	185	(1,394)
(Decrease)/increase in payables	(865)	585
Cash from operating activities	414	(737)

22 Capital and other commitments

At 31 December, the company had the following capital commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017	2016
	£'000	£'000
Payments due		
Not later than one year	**6**	11
Later than one year and not later than five years	**-**	6
	6	17

23 Ultimate parent undertaking

The directors regard Danzer Holding AG, a company incorporated in Austria, as the immediate and ultimate parent undertaking. The largest group in which the results of the Company are consolidated is headed by Danzer Holding AG, Hintere, Achmühlerstr. 1, 6850 Dornbirn, Austria.

24 Related part transactions

As the company is a wholly owned subsidiary of Danzer Holding AG, the company has taken advantage of the exemption contained within FRS 102 para 33.1A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.