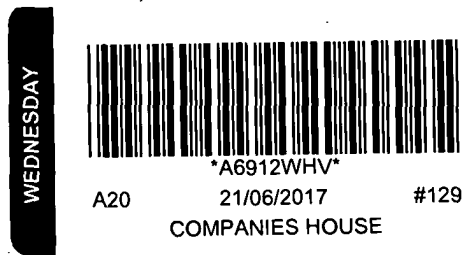


Company Registration Number :- 981905



KRONOSPAN LIMITED

ANNUAL REPORT AND
FINANCIAL STATEMENTS

For the Year Ended
30th September 2016

KRONOSPAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

M.C.McKenna (Chairman)
L.A.J.Scheibltreiter
W.Allen
C.J.Ryan A.C.M.A.

Company Secretary

R.M.Jones

Registered office

Maesgwyn Farm
Chirk
Wrexham
LL14 5NT

Auditor

Deloitte LLP
2 Hardman Street
Manchester
M3 3HF

Main bankers

HSBC Bank plc
17-19 Regent Street
Wrexham
LL11 1RY

KBC Bank NV
111 Old Broad Street
London
EC2N 1BR

Legal advisers

Gowling WLG (UK) LLP
Two Snowhill
Birmingham
B4 6WR

Walker Smith Way
26 Nicholas Street
Chester
CH1 2PQ

Tax advisers

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

STRATEGIC REPORT

The directors present their Strategic report for the year ended 30th September 2016.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the Business

The Company's principal activities are the manufacture and sale of particleboard, medium density fibreboard (MDF) and related value added products in the UK. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 9, the Company's sales increased from £219 million to £225 million. EBITDA reduced from £28.7 million to £17.5 million.

Trading conditions were stable through the year. The main reasons for lower EBITDA were reduced production volumes in the UK as a result of the impact of investment projects and a gas explosion together with the adverse impact of the weakening of sterling on raw material costs.

Expenditure on fixed assets at £24.1 million was an increase on the previous year's expenditure of £14.1 million. The business continued to concentrate on improving performance from the existing asset base and via profit improvement projects.

Key Performance Indicators

The directors regard operating profit and EBITDA as key financial indicators due to the capital nature of the business and high fixed costs.

These are assessed against budgets and previous year.

Operating profit for the year was £7.3 million and EBITDA was £17.5 million.

Principle Risks and Uncertainties

The Company's customer base covers the construction, furniture and DIY sectors in the U.K. This means that the risk to the business of a major loss in customer is widely spread. However, it is important to maintain a high level of customer service and attractive product range. Whilst we are operating in high risk sectors, strict credit control procedures are in place to mitigate any potential losses.


The Company do not expect any adverse consequences as a result of Brexit, primarily due to the Company's predominantly domestic customer base.

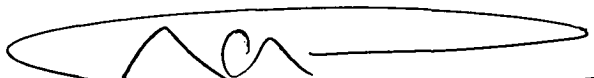
Future Developments

Despite the current uncertain economic outlook the directors expect a beneficial impact from recent investments in production equipment and the weakening of Sterling which will make it less attractive to import product into the UK.

The Company is currently undertaking several projects; this includes the modernising of the Melamine-Facing and Log yard operations.

17th November 2016


L.A.J. Scheibler
Director


M.C. McKenna
Director

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements for the year ended 30th September 2016.

Going Concern

The Company is a wholly owned subsidiary within the Kronospan Holdings Limited group. The directors of this Company are cognisant of the following going concern disclosure which appears in the financial statements of Kronospan Holdings Limited for the year ended 30 September 2016:

"The Group had a net cash position at the year end. The Board believes that the Group's forecasts and projections have been prepared on a conservative basis. The Group has committed bank facilities that are more than adequate to satisfy any forecast borrowing requirements during the next twelve months. As a consequence, the directors believe that the Group is well placed to manage its business successfully".

Based on forecasts and projections prepared for a period of at least 12 months subsequent to the date of approval of the financial statements that take into account reasonably possible changes in the Company's trading performance the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the continue to adopt the going concern basis in preparing the annual report and financial statements.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 18.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee Consultation

The Company keeps employees informed on matters relevant to them through regular meetings and newsletters. Trade union representatives are consulted regularly on a wide range of matters affecting their members' interests.

Financial Risk Management Objectives and Policies

Kronospan Holdings Limited manages the Group's risks at a group level rather than at an individual statutory entity level.

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash Flow Risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses short duration foreign exchange forward contracts where considered appropriate.

DIRECTORS' REPORT continued**Credit Risk**

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The major part of trade receivables is covered by credit insurance. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt facilities.

Dividends

An interim dividend of £17.5 million was paid during the year (2015 - £5.25 million). The directors do not recommend the payment of a final dividend (2015 - £Nil).

Directors

The directors of the Company who served during the year and thereafter are shown below:

M.C.McKenna (Chairman)

P.R.Inch F.C.M.A. (resigned 31 December 2015)

L.A.J.Scheibltreiter

W.Allen

C.J.Ryan A.C.M.A. (appointed 13 January 2016)

DIRECTORS' REPORT continued**Political Contributions**

There were no political contributions (2015 - £Nil).

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The resolution for the reappointment of Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approval of Reduced Disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Kronospan Holdings Limited, as the immediate parent of the entity.

Maesgwyn Farm
Chirk
Wrexham
LL14 5NT

By order of the board



R.M. Jones
Company Secretary

17th November 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and accounting estimates that are reasonable and prudent;
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRONOSPAN LIMITED

We have audited the financial statements of Kronospan Limited for the year ended 30th September 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th September 2016 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.

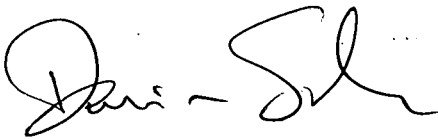
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRONOSPAN LIMITED continued**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Damian Sanders BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

17th November 2016

PROFIT AND LOSS ACCOUNT
for the year ended 30th September

	Note	2016 £'000	2015 £'000
Turnover	3	224,585	219,455
Change in stocks of finished goods and work in progress	9	(315)	410
Other operating income		11,615	9,830
Raw materials and consumables		(152,007)	(142,002)
Other external charges		(23,231)	(16,821)
Staff costs	4	(23,830)	(22,728)
Depreciation less grants released		(10,219)	(9,854)
Other operating charges		(19,310)	(19,404)
Operating profit		7,288	18,886
Bank interest receivable		56	98
Other loan interest receivable from group undertakings		63	162
Bank interest payable		(2)	-
Other loan interest payable to group undertakings		(181)	(362)
Profit on ordinary activities before taxation	5	7,224	18,784
Tax on profit on ordinary activities	6	(233)	(4,818)
Profit for the financial year attributable to the equity shareholders of the Company		6,991	13,966

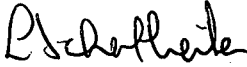
- Results above relate to continuing operations.
- There was no income or expenses other than the result noted above for either the current or preceding year. Accordingly, no statement of comprehensive income has been presented.


BALANCE SHEET
As at 30th September

		2016		2015	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		99,775		86,960
CURRENT ASSETS					
Stocks	9	20,013		20,494	
Debtors	10	24,260		22,820	
Cash at bank and in hand		11,898		43,131	
		<u>56,171</u>		<u>86,445</u>	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(49,399)		(54,907)	
NET CURRENT ASSETS			<u>6,772</u>		<u>31,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>106,547</u>		<u>118,498</u>
Creditors - amounts falling due after more than one year	12		(1,388)		(1,568)
Provisions for liabilities	13		(7,727)		(8,990)
NET ASSETS			<u>97,432</u>		<u>107,940</u>
CAPITAL AND RESERVES					
Called-up share capital	14		35,000		35,000
Retained earnings			62,432		72,940
SHAREHOLDER'S FUNDS			<u>97,432</u>		<u>107,940</u>

The financial statements of Kronospan Limited, registered number 981905, were approved by the board of directors and signed on its behalf by:

17th November 2016


L.A.J. Scheibltreiter
Director


M.C. McKenna
Director

STATEMENT OF CHANGES IN EQUITY
As at 30th September

	Note	Share capital £'000	Retained earnings £'000	Total attributable to the equity holders of the Company £'000
AT 30 SEPTEMBER 2014 AS PREVIOUSLY STATED		35,000	64,224	99,224
Changes on transition to FRS 102	20	-	-	-
AT 1 OCTOBER 2014 AS RESTATED		35,000	64,224	99,224
Profit for the financial year		-	13,966	13,966
Total comprehensive income		-	13,966	13,966
Dividends paid on equity shares	7	-	(5,250)	(5,250)
AT 30 SEPTEMBER 2015		35,000	72,940	107,940
Profit for the financial year		-	6,991	6,991
Total comprehensive income		-	6,991	6,991
Dividends paid on equity shares	7	-	(17,500)	(17,500)
At 30 SEPTEMBER 2016		35,000	62,432	97,432

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30th September 2016

1) ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Kronospan Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and the nature of the Company's operations are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements did not require any material adjustments following the adoption of FRS 102 in the current year.

The functional currency of Kronospan Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Kronospan Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements of Kronospan Holdings Limited. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the current and the preceding year.

(a) Accounting Convention

The financial statements are prepared under the historical cost convention.

A note of historical cost profit or loss has not been presented as there is no difference between the result as disclosed in the profit and loss account and the result on a unmodified historical cost basis.

(b) Going Concern

The financial statements have been prepared using the going concern basis of accounting. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors Report on page 3.

(c) Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

1) ACCOUNTING POLICIES continued

(d) Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and any provision impairment. Depreciation is not provided on freehold land. On other assets, depreciation is provided at rates calculated to write off their cost or valuation during their estimated useful lives, in equal annual instalments or at a unit rate basis as appropriate.

The annual rates of depreciation are as follows:-

Buildings	2% - 5%
Plant and machinery, vehicles & other equipment	5% - 25%

Depreciation is not provided on assets in the course of construction.

(e) Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

i) Financial Assets and Liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii) Derivative Financial Instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

1) ACCOUNTING POLICIES continued

(e) Financial Instruments continued

iii) Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. Costs include materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of production.

(g) Government Grants

Grants received are treated as a deferred credit and are released to the profit and loss account on the same basis as the assets to which they relate are depreciated.

(h) Foreign Exchange

All assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses arising on foreign currency transactions are dealt with through the profit and loss account at the rates of exchange at the transaction date.

(i) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

(j) Research and Development

Research and development costs are written off to the profit and loss account as they are incurred.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

1) ACCOUNTING POLICIES continued

(k) Impairment of Assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

i) Non-Financial Assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

ii) Financial Assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

(l) Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

1) ACCOUNTING POLICIES continued

(m) Provisions continued

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Employee Benefits

The Company operates a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

(o) Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

2) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

i) Critical Judgements In Applying The Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

2) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

i) Critical Judgements In Applying The Company's Accounting Policies continued

Impairment of fixed assets

At each reporting date, the Company is required to assess whether there is any indication that, in management's judgement, the carrying value of tangible or intangible assets may be not be recoverable. If any indication exists, the relevant asset's recoverable value is estimated, being the greater of its value in use and fair value less cost to sell. Where the carrying value exceeds the recoverable value, the asset's carrying value is reduced to the recoverable value.

An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

ii) Key Source of Estimation Uncertainty

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 period are addressed below:

Provision against bad and doubtful amounts receivable

There are specific provisions in respect of bad debts, which are netted against the trade debtors balance. These provisions are based on amongst other things, insurance cover, management's historic knowledge of the business and the ageing of the trade debtors balance.

Provision against slow-moving, obsolete or irrecoverable stock

Stock is reviewed on an ongoing basis and a specific provision made where the directors are of the opinion that this is required. As at the year end the directors have no material concerns over the recoverability of the Company's stock.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the value of money and the risks specific to the liability.

3) ANALYSIS OF TURNOVER

All of the turnover is attributable to the Group's principal activity. Turnover is recognised when goods are despatched or when the service is delivered. The turnover (net of VAT) attributable to each of the company's geographical markets is:

	2016 £'000	2015 £'000
United Kingdom	218,018	213,981
Other EU countries	5,706	4,134
Other	861	1,340
	<hr/> 224,585	<hr/> 219,455

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

4) INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016 £'000	2015 £'000
a) Directors' remuneration:		
Emoluments	515	540

No directors are members of a money purchase pension scheme (2015 - Nil).

No directors are members of a company operated pension scheme (2015 - Nil).

	2016 £'000	2015 £'000
REMUNERATION OF THE HIGHEST PAID DIRECTOR:		
Emoluments	162	136

	2016 £'000	2015 £'000
b) Average number of persons employed by the Company:		
Production	476	467
Sales and distribution	90	91
Administration	67	66
	633	624

	2016 £'000	2015 £'000
c) Employee costs during the year (including directors):		
Wages and salaries	21,513	20,518
Social security costs	2,170	2,068
Other pension costs	147	142
	23,830	22,728

d) Defined contribution scheme

The Company operates defined contribution retirement benefit scheme for all qualifying employees. The total expense charged to profit or loss in the year ended 30 September 2016 was £146,928 (2015 - £141,532).

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

5) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £'000	2015 £'000
Profit before taxation is arrived at after charging/(crediting):		
Loss / (Profit) on disposal of fixed assets	3	(19)
Depreciation	10,399	10,033
Impairment of fixed assets	-	-
Government grants released	(180)	(179)
Research and development	923	76
Auditor's remuneration for audit of Company's financial statements	48	48
Remuneration to auditor for taxation services	85	68
Hire of plant and machinery	941	573
Operating lease rentals - plant & machinery	962	1,116
Cost of stock recognised as an expense/(credit)	441	(1,184)
Losses/(Gains) on Foreign Exchange	2,403	(421)

6) TAX ON PROFIT

	2016 £'000	2015 £'000
CURRENT TAX ON PROFIT		
UK corporation tax	1,430	4,074
Adjustments in respect of prior years		
UK corporation tax	66	(328)
TOTAL CURRENT TAX	1,496	3,746
DEFERRED TAX		
Origination and reversal of timing differences	150	1,091
Adjustments in respect of prior years	(50)	-
Effect of decrease in tax rate on opening liability	(1,363)	(19)
TOTAL DEFERRED TAX	(1,263)	1,072
TOTAL TAX ON PROFIT	233	4,818

Factors affecting tax charge for the year

The tax charge for the year is lower (2015: higher) than that which would have arisen by applying the standard rate of corporation tax in the UK : 20.0% (2015 - 20.5%)

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	7,224	18,784
Tax at 20.0% thereon (2015 - 20.5%)	1,445	3,851
Expenses not deductible for tax purposes	170	170
Income not taxable for tax purposes	(34)	(66)
Effect of reduction in tax rate	(1,363)	(19)
Other timing differences	-	900
Prior year adjustments	15	(18)
Tax charge for the year	233	4,818

Legislation has been passed to reduce the main rate of UK corporation tax to 19% from 1st April 2017 and 17% from April 2020. Deferred tax has been calculated with reference to the long term rate of 17%.

There are no expiry dates on timing differences.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

7) DIVIDEND	2016 £'000	2015 £'000
2016 interim dividend of 50 pence per share (2015 - 15 pence)	17,500	5,250

8) TANGIBLE FIXED ASSETS				
	Freehold Land and buildings £'000	Buildings and plant under construction £'000	Plant and machinery, vehicles & other equipment £'000	Total £'000
COST				
At 1st October 2015	33,946	8,631	252,335	294,912
Additions	5	20,170	3,888	24,063
Transfers	1,944	(14,317)	12,373	-
Disposals	-	-	(5,391)	(5,391)
At 30th September 2016	35,895	14,484	263,205	313,584
ACCUMULATED DEPRECIATION				
At 1st October 2015	21,291	-	186,661	207,952
Charge for the year	829	-	9,570	10,399
Disposals	-	-	(4,542)	(4,542)
At 30th September 2016	22,120	-	191,689	213,809
NET BOOK VALUE				
At 30th September 2016	13,775	14,484	71,516	99,775
At 30th September 2015	12,655	8,631	65,674	86,960

The value of freehold land upon which depreciation is not charged is £3,081,853 (2015 - £3,081,853).

Freehold and leasehold land and building were valued by Salisbury Hamer Aspden and Johnson, Chartered Surveyor, an independent valuer, to the current market value of the property on an existing use basis on 17th September 1993, with subsequent additions at cost.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

9) STOCKS

	2016 £'000	2015 £'000
Raw materials and consumables	10,022	10,188
Work in progress	151	202
Finished goods and goods for resale	9,840	10,104
	<hr/> 20,013	<hr/> 20,494

There is no material difference between the balance sheet value of stock and its replacement cost.

10) DEBTORS

Amounts falling due within one year:

	2016 £'000	2015 £'000
Trade debtors	18,694	19,910
Other debtors	596	388
Prepayments and accrued income	1,347	1,295
Amounts owed to other related parties	82	159
Amounts owed by other group companies	3,541	1,068
	<hr/> 24,260	<hr/> 22,820

11) CREDITORS Amounts falling due within one year:

	2016 £'000	2015 £'000
Trade creditors	18,495	12,574
Bank loans and overdrafts	5,000	-
Amounts owed to other group companies	9,232	20,661
Corporation tax	2,309	3,425
Other taxation and social security	3,500	4,005
Government grants	180	180
Accruals and deferred income	10,675	14,055
Defined contribution pension scheme accrual	8	7
	<hr/> 49,399	<hr/> 54,907

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

12) CREDITORS Amounts falling due after more than one year:	2016 £'000	2015 £'000
Government grants on plant, equipment and buildings		
As at 1st October	1,748	1,927
Released to profit and loss account	(180)	(179)
As at 30th September	1,568	1,748
Due to be released within 1 year	180	180
Due to be released after 1 year	1,388	1,568
	1,568	1,748

No potential liability for repayment is anticipated.

13) PROVISIONS FOR LIABILITIES

Deferred taxation	£'000
a) Movement in the year	
At 1st October 2015	8,990
Charge for the year (Note 6)	(1,263)
At 30th September 2016	7,727
Deferred taxation	£'000
Payable less than 1 year	-
Payable after 1 year	7,727
	7,727

b) The full potential liability has been provided in both years.

	Provided	
	2016 £'000	2015 £'000
Capital allowances in excess of depreciation	7,789	9,025
Other timing differences	(62)	(35)
	7,727	8,990

14) CALLED-UP SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised, allotted and fully paid 35,000,000 (2015 - 35,000,000) ordinary shares of £1 each	35,000	35,000

The Company's other reserves are as follows:

The retained earnings represents cumulative profits or losses, net of dividends paid.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

15) ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Kronospan Holdings Limited incorporated in England and Wales. That Company prepares group accounts and copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff. Kronospan Holdings Limited is the smallest and largest consolidated group which includes the Company.

The ultimate parent company and controlling party is Kronospan A.G. incorporated in Liechtenstein which owns 100% of the Kronospan Holdings Limited's ordinary shares.

The purpose of the parent is to maintain and develop its industrial assets and is controlled by the board of Directors.

16) FIXED ASSET INVESTMENTS

The Company has investments in the following subsidiary:

Company name: Eskdalemuir Wind Farm Limited (100% subsidiary)
 Company status: Dormant
 Company address: Registered address is the same as disclosed on page 1

17) RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure exemptions available in FRS 102 Section 33 in relation to transactions and balances between wholly-owned entities within the group headed by the Kronospan Holdings Limited Group.

18) CONTINGENT LIABILITY

The Company has given counter indemnities of £120,000 to its bankers in respect of amounts due to H M Revenue and Customs. These are in the normal course of business.

19) CAPITAL COMMITMENTS

	2016	2015
	£'000	£'000
Authorised by directors and contracted for	22,010	5,657

20) EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The prior year financial statements did not require any material adjustments following the adoption of FRS 102 in the current year.

NOTES TO THE FINANCIAL STATEMENTS continued
Year ended 30th September 2016

21) FINANCIAL INSTRUMENTS

	2016 £'000	2015 £'000
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 10)	20,637	21,593
Owed by related parties (see note 10)	82	159
Owed by group companies (see note 10)	3,541	1,068
	<u>24,260</u>	<u>22,820</u>
Financial liabilities		
Measured at amortised cost		
Loans payable (see note 11)	5,000	-
Measured at undiscounted amount payable		
Trade and other creditors (see note 11)	35,167	34,246
Amounts owed to group companies (see note 11)	9,232	20,661
	<u>49,399</u>	<u>54,907</u>
The Company's income, expense, gain and losses in respect of financial instruments is summarised below:		
Interest income and expense		
Total interest income for financial assets at amortised cost	119	260
Total interest expense for financial liabilities at amortised cost	(183)	(362)