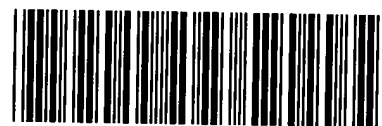


Egger (UK) Limited

Directors' report and financial statements  
for the year ended 30 April 2016

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# Egger (UK) Limited

## Directors' report and financial statements

for the year ended 30 April 2016

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# **Egger (UK) Limited**

## **Strategic report for the year ended 30 April 2016**

The directors present their strategic report for the year ended 30 April 2016.

### **Review of the business**

Egger is a leading manufacturer of wood based panel products in the European market with distribution worldwide. Egger (UK) Limited (Egger UK) produces wood based panels primarily for the UK market and is considered a leading supplier due to high quality, innovative products and cutting edge design. The company's principal customers are furniture manufacturers, construction companies and distributors.

Egger UK has delivered an improved financial performance compared to the previous year as follows:

- Turnover has increased by 6.2% to £248.4m (2015: £233.9m)
- Gross profit has increased by 12.6% to £42.5m (2015: £37.7m)
- Gross margin has increased to 17.1% (2015: 16.1%)
- EBITDA (earnings before interest, tax, depreciation and amortisation) has increased by 12.7% to £34.0m (2015: £30.2m)
- EBITDA margin has increased to 13.7% (2015: 12.9%)

The net assets of the company have increased to £55.6m (2015: £39.9m) due to the transfer to reserves of the current financial year profit of £15.7m (2015: profit £12.7m).

The company uses a number of financial and non-financial key performance indicators (KPI's) to measure performance which are communicated to the Board of Directors in the UK and the Group Board in Austria. These KPI's include:

- Turnover, contribution margin and EBITDA statistics compared to budget and previous year;
- Production quantities and stock levels;
- Customer profitability statistics; and
- A number of health & safety and employee related KPI's.

The Board considers that the KPI's used are a highly effective reporting system tailored specifically to the demands of the industry and Egger UK in particular.

### **Principal risks and uncertainties**

Egger UK, like all companies in the UK is subject to challenges presented by the economy. Although market conditions remained fairly positive throughout the year ended 30 April 2016, the UK economy and market remains vulnerable to certain risks and uncertainties.

Wood (comprising sawlogs, sawdust, hackchips and recycled wood) is the main raw material used to make wood based panels. The biomass industry continues to increase its demand for wood, thereby causing upwards price pressure on wood. The price and availability risks are mitigated by Egger UK entering into long term contracts with key suppliers.

# **Egger (UK) Limited**

## **Strategic report for the year ended 30 April 2016 (continued)**

Other key components of wood based panels are resin and glue. Resin and glue are manufactured and supplied internally by an Egger subsidiary company, Campact Limited. The main chemicals used in the production of resin and glue are urea, methanol and melamine. These chemicals can be subject to volatile price fluctuations.

### **Future developments**

Subject to prevailing market conditions, Egger UK is well placed to sustain its financial performance based on its mix of customers, ongoing reinvestment in production technologies and product range.

On behalf of the board



B Steinlechner  
**Director**

31 August 2016

# **Egger (UK) Limited**

## **Directors' report for the year ended 30 April 2016**

The directors present their report and the audited financial statements of the Company for the year ended 30 April 2016.

### **Future developments**

Refer to the strategic report on pages 1 and 2.

### **Dividends**

The directors do not recommend the payment of a dividend (2015: nil).

### **Political and charitable contributions**

The company made no political contributions during the year (2015: nil). Donations to UK charities amounted to £18,016 (2015: £17,407).

### **Financial instruments**

The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The Egger Group Treasury department has implemented a policy and procedure manual which sets out specific guidelines to manage financial risks.

#### *Currency risk – transaction exposure*

The company has export revenues and import costs in different currencies. This exposes the company to currency fluctuations. Egger's financial policy provides guidelines for managing the company's transaction exposure.

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit checks are carried out on customers where information about the customers' financial position is obtained from various credit rating companies. Credit risk is further limited through credit insurance on major accounts receivable balances. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a continual basis by the credit manager.

#### *Liquidity risk and cash management*

The company meets its day to day working capital requirements through operating cash flows and funding from group companies, which includes a long term facility. The company is part of a cash pooling arrangement with the group headed by Egger Holzwerkstoffe GmbH.

#### *Interest rate and cash flow risk*

The company has policies and procedures that set out the specific guidelines that must be followed to manage the interest rate risk. The exposure to interest rate risk is minimal as this is monitored by a central group treasury function, which is responsible for identifying and managing interest rate exposure.

# **Egger (UK) Limited**

## **Directors' report for the year ended 30 April 2016 (continued)**

### **Directors**

The directors who were in office during the year and up to the date of signing the financial statements were:

M R Livesey

L Niedermoser

N Soulsby (appointed 1 May 2016)

B Steinlechner

T Zimmermann

### **Employees**

Egger has set a goal to be the best employer in its respective labour markets. The Group is a modern, transparent family owned company whose corporate culture is based on quality, progress and respect. Egger relies on effective management tools, the creation of strong ties with valuable employees, long term personnel development and proactive recruitment to create and maintain the best possible balance between the interests of employees and the employer. These objectives are underpinned by contemporary working time and remuneration models as well as a feedback culture. Employee satisfaction is also supported by a health management system and the promotion of internal careers.

Information on matters of interest and concern to all employees relating to the company is displayed on notice boards in their place of work. Departmental managers are encouraged, and do consult with employees, when making decisions likely to affect their interest, including those of health and safety and factors affecting the performance of the company as a whole. Company newsletters and bulletins are also issued which detail the financial and economic factors affecting the company.

Disabled persons are employed by the company when they appear to be suited to a particular vacancy. The particular nature of the company's activities necessarily limit the scope for such employment, but every effort is made to ensure that they are given full and fair consideration, having regard to their particular aptitudes and abilities, when such vacancies arise.

The company endeavours, where possible, to find alternative employment within the company and for arranging appropriate training for any employees who are injured or become disabled during the course of their employment with the company.

# **Egger (UK) Limited**

## **Directors' report for the year ended 30 April 2016 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- 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.

### **Statement of disclosure of information to auditors**

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 auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Qualifying third-party indemnity provisions**

The Company purchased and maintained throughout the financial year and also at the date of approval Directors' and Officers' liability insurance in respect of itself and its Directors, which remains in force at the date of these financial statements.

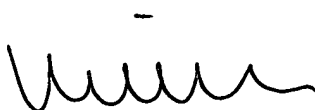
# **Egger (UK) Limited**

## **Directors' report for the year ended 30 April 2016 (continued)**

### **Independent Auditors**

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

On behalf of the board

A handwritten signature in black ink, consisting of a series of connected loops and a final horizontal stroke.

B Steinlechner  
**Director**

31 August 2016



# **Egger (UK) Limited**

## **Independent auditors' report to the members of Egger (UK) Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Egger (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 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.

#### **What we have audited**

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 April 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# **Egger (UK) Limited**

## **Independent auditors' report to the members of Egger (UK) Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements 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.



Bill MacLeod (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
31 August 2016

## Egger (UK) Limited

### Statement of comprehensive income for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	1	<b>248,422</b>	233,905
Cost of sales		(205,920)	(196,190)
<b>Gross profit</b>		<b>42,502</b>	37,715
Distribution costs		(11,699)	(10,962)
Administrative expenses		(10,715)	(10,447)
Other operating income	2	4,007	4,176
<b>Operating profit</b>		<b>24,095</b>	20,482
Interest receivable and similar income	6	127	87
Interest payable and similar charges	6	(5,175)	(5,427)
<b>Profit on ordinary activities before taxation</b>	3	<b>19,047</b>	15,142
Tax on profit on ordinary activities	7	(3,311)	(2,456)
<b>Profit for the financial year</b>		<b>15,736</b>	12,686

All amounts relate to continuing operations.

The company has no other comprehensive income and therefore no separate statements of other comprehensive income has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

# Egger (UK) Limited

## Balance sheet as at 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	8	110,778	109,638
<b>Current assets</b>			
Stocks	9	22,127	22,763
Debtors	10	59,012	37,492
Cash at bank and in hand		101	5
		<b>81,240</b>	<b>60,260</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(55,614)</b>	<b>(49,387)</b>
<b>Net current assets</b>		<b>25,626</b>	<b>10,873</b>
<b>Total assets less current liabilities</b>		<b>136,404</b>	<b>120,511</b>
Creditors: amounts falling due after more than one year	12	(75,399)	(75,443)
Provisions for liabilities	14	(5,353)	(5,152)
<b>Net assets</b>		<b>55,652</b>	<b>39,916</b>
<b>Equity</b>			
Called up share capital	15	13,500	13,500
Capital contribution reserve		28,000	28,000
Profit and loss account		14,152	(1,584)
<b>Total shareholders' funds</b>		<b>55,652</b>	<b>39,916</b>

The financial statements on pages 9 to 32 were approved by the board of directors on 31 August 2016 and signed on its behalf by:



B Steinlechner  
Director

Egger (UK) Limited

Registered number 02813369

# Egger (UK) Limited

## Statement of changes in equity for the year ended 30 April 2016

	Called up share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 May 2014	13,500	28,000	(14,270)	27,230
<b>Total comprehensive income for the year, comprising:</b>				
Profit for the financial year	-	-	12,686	12,686
<b>Total comprehensive income for the year</b>	-	-	12,686	12,686
<b>Balance at 30 April 2015</b>	<b>13,500</b>	<b>28,000</b>	<b>(1,584)</b>	<b>39,916</b>

	Called up share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 May 2015	13,500	28,000	(1,584)	39,916
<b>Total comprehensive income for the year, comprising:</b>				
Profit for the financial year	-	-	15,736	15,736
<b>Total comprehensive income for the year</b>	-	-	15,736	15,736
<b>Balance at 30 April 2016</b>	<b>13,500</b>	<b>28,000</b>	<b>14,152</b>	<b>55,652</b>

# **Egger (UK) Limited**

## **Statement of accounting policies for the year ended 30 April 2016**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### **General information**

The principal activity of the company is the production wood based panels primarily for the UK market and is considered a leading supplier due to high quality, innovative products and cutting edge design. The company's principal customers are furniture manufacturers, construction companies and distributors.

The company is a private company incorporated and domiciled in the United Kingdom. Its registered address is 21-25 Church Street West, Woking, Surrey, GU21 6DJ.

### **Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS101") and the Companies Act 2006. The company has adopted FRS101 for the first time. Details of the impact of transition to FRS 101 are set out in note 21.

The accounting policies set out below have been consistently applied to all the years presented unless otherwise stated. They have been prepared under the historical cost convention, and on a going concern basis.

The preparation of financial statements in conformity with FRS 101 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 within this statement.

### **Exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
- Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

# **Egger (UK) Limited**

## **Statement of accounting policies for the year ended 30 April 2016 (continued)**

### **Exemptions (continued)**

FRS 101 sets out a reduced disclosure framework for a “qualifying entity” as defined in the standard which permits a qualifying entity to apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRS 5”), but makes amendments where necessary in order to comply with the Companies Act 2006.

The company is a qualifying entity for the purpose of FRS 101 and note 20 gives details of the company’s ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

### **Consolidation**

As the company is a wholly owned subsidiary of Egger Holzwerkstoffe GmbH the company has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group. The consolidated financial statements of Egger Holzwerkstoffe GmbH, within which this company is included, can be obtained from the address provided in note 20.

### **Going concern**

The company’s business activities, together with the factors likely to affect its future performance and position are set out in the directors’ report. The company’s ultimate parent is Egger Holzwerkstoffe GmbH, which is the parent undertaking of a group of companies engaged in the manufacture of wood based panel products across Europe. The company is part of a cash pooling arrangement with the group headed by Egger Holzwerkstoffe GmbH.

The company meets its day to day working capital requirements through operating cash flows and funding from group companies, which includes a long term loan facility.

### **Tangible fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 25 years
Fixtures and fittings, tools and equipment	- 5 years
Motor vehicles	- 4 to 8 years
Plant and machinery	- 15 years

Assets under construction represent the cost of active projects at the year end and are not depreciated until available for use.

No depreciation is provided on freehold land.

# **Egger (UK) Limited**

## **Statement of accounting policies for the year ended 30 April 2016 (continued)**

### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### **Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### **Post-retirement benefits**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

### **Research and development expenditure**

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

### **Taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



# **Egger (UK) Limited**

## **Statement of accounting policies for the year ended 30 April 2016 (continued)**

### **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

(a) Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(c) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### **Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

### **Classification of financial instruments issued by the company**

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

# **Egger (UK) Limited**

## **Statement of accounting policies for the year ended 30 April 2016 (continued)**

### **Turnover**

Turnover represents the amount receivable in the ordinary course of business from the provision of goods to customers. Turnover is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax.

The company recognises revenue at the point of dispatch of goods.

### **Critical accounting estimates and judgements**

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

#### **(a) Critical Accounting estimates and assumptions**

The group 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.

##### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the property plant and equipment.

##### *Inventory provisioning*

The company produces resins and glues for supply to other Egger sites and is subject to changing demand. 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, as well as applying assumptions around the anticipated saleability of finished goods and future usage of raw materials. See note 9.

Management do not consider there to be any critical estimates which have a significant impact on the financial statements of the company.

#### **(b) Critical judgements in applying the entity's accounting policies**

##### *Multi-employer defined benefit pension scheme*

Certain employees participate in a group wide defined benefit pension scheme. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for a defined contribution scheme, see note 18 for further details.

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016**

### **1 Turnover**

An analysis of turnover by geographical market is set out below:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
UK	<b>241,407</b>	227,803
Europe	<b>7,015</b>	6,102
	<b>248,422</b>	233,905

Principally all of the profit and net assets of the business are in the United Kingdom. The company operates one class of business.

### **2 Other operating income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Management charges receivable	<b>3,834</b>	3,964
Other income	<b>173</b>	212
	<b>4,007</b>	4,176

### **3 Profit on ordinary activities before taxation**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation of tangible fixed assets		
- Owned assets	<b>9,917</b>	9,673
- Leased assets	<b>22</b>	22
Profit on disposal of tangible fixed assets	<b>(4)</b>	(37)
Hire of other assets – operating leases	<b>263</b>	258
Net exchange losses	<b>415</b>	143
Inventories recognised as an expense during the year	<b>157,036</b>	149,643

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016 (continued)**

### **3 Profit on ordinary activities before taxation (continued)**

	2016	2015
	£'000	£'000
<b>Auditors' remuneration</b>		
Audit of these financial statements	29	29

### **4 Remuneration of directors**

#### **Directors**

The directors' emoluments were as follows:

	2016	2015
	£000	£000
Aggregate emoluments	576	515
Company contributions to money purchase pension schemes	15	14

Post-employment benefits are accruing for 1 director under a defined benefit scheme.

#### **Highest paid director**

The highest paid director's emoluments were as follows:

	2016	2015
	£'000	£'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	243	202
Defined benefit pension scheme:		
- Accrued pension at the end of the year	42	42
- Accrued lump sum at the end of the year	10	9

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016 (continued)**

### **5 Staff numbers and costs**

#### **Employees**

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

<b>By activity</b>	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Production and distribution	<b>458</b>	444
Administration	<b>104</b>	107
	<b>562</b>	551

After adjusting for part-time and apprenticeship positions, the equivalent number of full-time employees is 544 (2015: 530).

The aggregate payroll costs of these persons were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>18,733</b>	17,963
Social security costs	<b>1,866</b>	1,798
Other pension costs (note 18)	<b>887</b>	845
	<b>21,486</b>	20,606

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016 (continued)**

### **6 Interest income and expense**

#### **Finance income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
On amounts owed by group undertakings	<b>127</b>	<b>87</b>

#### **Finance expense**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
On amounts owed to group undertakings	<b>5,171</b>	<b>5,423</b>
Finance lease liabilities	<b>4</b>	<b>4</b>
<b>Total finance expense</b>	<b>5,175</b>	<b>5,427</b>

#### **Net finance cost**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest income	<b>127</b>	<b>87</b>
Interest expense	<b>(5,175)</b>	<b>(5,427)</b>
<b>Net finance cost</b>	<b>(5,048)</b>	<b>(5,340)</b>

# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 7 Tax on profit on ordinary activities

#### Tax expense included in profit or loss

	2016	2015
	£'000	£'000
Current tax:		
UK Corporation tax on profits for the year	3,090	-
Adjustment in respect of prior years	20	20
<b>Total current tax</b>	<b>3,110</b>	<b>20</b>
Deferred tax:		
Origination and reversal of timing differences	707	3,117
Effect of tax rate change on opening balance	(516)	-
Adjustment in respect of previous years	10	(681)
<b>Total deferred tax (note 14)</b>	<b>201</b>	<b>2,436</b>
<b>Tax on profit on ordinary activities</b>	<b>3,311</b>	<b>2,456</b>

# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 7 Tax on profit on ordinary activities (continued)

Tax expense for the year is lower (2015: lower) than the standard rate of corporation tax in the UK for the year ended 30 April 2016 of 20.00 %. The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before tax	19,047	15,142
Profit multiplied by the standard rate of tax in the UK of 20.00 % (2015: 20.92%)	3,809	3,168
Effects of:		
- Capital allowances	318	339
- Pension contributions	(244)	(242)
- Adjustments to tax charge in respect of prior years – current tax	20	20
- Adjustments to tax charge in respect of prior years – deferred tax	10	(681)
- Adjustments to closing deferred tax in respect of rate change	(631)	(175)
- Expenses not deductible for tax purposes	29	27
<b>Total tax charge</b>	<b>3,311</b>	<b>2,456</b>

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21.00% to 20.00% from 1 April 2015.



# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 8 Tangible assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings, tools and equipment £'000	Motor vehicles £'000	Assets under the course of construction £'000	Total £'000
<b>Cost</b>						
At beginning of year	61,550	115,527	2,328	5,239	6,684	191,328
Additions	356	478	99	123	10,158	11,214
Disposals	-	(2,263)	(5)	(631)	-	(2,899)
Transfers between items	217	5,085	13	-	(5,315)	-
<b>At end of year</b>	<b>62,123</b>	<b>118,827</b>	<b>2,435</b>	<b>4,731</b>	<b>11,527</b>	<b>199,643</b>
<b>Accumulated depreciation</b>						
At beginning of year	16,083	60,772	1,955	2,880	-	81,690
Charge for year	2,258	7,040	138	503	-	9,939
On disposals	-	(2,253)	(5)	(506)	-	(2,764)
<b>At end of year</b>	<b>18,341</b>	<b>65,559</b>	<b>2,088</b>	<b>2,877</b>	<b>-</b>	<b>88,865</b>
<b>Net book value</b>						
<b>At 30 April 2016</b>	<b>43,782</b>	<b>53,268</b>	<b>347</b>	<b>1,854</b>	<b>11,527</b>	<b>110,778</b>
At 30 April 2015	45,467	54,755	373	2,359	6,684	109,638

Included in freehold land and buildings is freehold land of £5,243,000 (2015: £5,243,000) which is not subject to depreciation. Included in the net book value of motor vehicles is £24,000 (2015: £46,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £22,000 (2015: £22,000).

## **Egger (UK) Limited**

### **Notes to the financial statements for the year ended 30 April 2016 (continued)**

#### **9 Stocks**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	<b>9,185</b>	<b>8,597</b>
Work in progress	<b>27</b>	<b>21</b>
Finished goods and goods for resale	<b>12,915</b>	<b>14,145</b>
	<b>22,127</b>	<b>22,763</b>

There is no significant difference between the replacement cost of stocks and their carrying amounts. Stock is stated after provisions for impairment of £459,000 (2015: £671,000).

#### **10 Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>3,467</b>	<b>5,361</b>
Amounts owed by group undertakings	<b>54,538</b>	<b>30,976</b>
Other debtors	<b>929</b>	<b>630</b>
Corporation tax (see note 11)	<b>-</b>	<b>500</b>
Prepayments and accrued income	<b>78</b>	<b>25</b>
	<b>59,012</b>	<b>37,492</b>

## **Egger (UK) Limited**

### **Notes to the financial statements for the year ended 30 April 2016 (continued)**

#### **11 Creditors: amounts falling due within one year**

	2016	2015
	£'000	£'000
Obligations under finance leases and hire purchase contracts	21	6
Trade creditors	12,774	11,882
Amounts owed to group undertakings	24,657	21,360
Other creditors	615	273
Corporation Tax	1,460	-
Taxation and social security	7,446	7,502
Accruals and deferred income	8,641	8,364
	55,614	49,387

#### **12 Creditors: amounts falling due after more than one year**

	2016	2015
	£'000	£'000
Obligations under finance and hire purchase contracts	1	45
Amounts owed to group undertakings	75,398	75,398
	75,399	75,443

Included in amounts owed to group undertakings is a loan of £75,398,000 (2015: £75,398,000) from Northumbria Finance Limited, a fellow group undertaking. The loan is subject to interest at a fixed rate of 4.68%. Northumbria Finance Limited can request repayment of the loan from 30 April 2021, having given Egger (UK) Limited six months notice.

Amounts due on finance leases and hire purchase contracts are secured on the assets to which they relate.

# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 13 Finance leases

The future minimum finance lease payments are as follows:

	2016	2015
	£'000	£'000
Not later than one year	24	8
Later than one year and not later than five years	1	50
Total gross payments	25	58
Impact of finance charges	(4)	(7)
Carrying value of liability	21	51

### 14 Provisions for liabilities

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

Total deferred tax provision	2016	2015
	£'000	£'000
Total provision	5,353	5,152

Deferred tax	Short term timing differences	Losses	Accelerate d capital allowances	Total
	£'000s	£'000	£'000	£'000
At 1 May 2014	(9)	(2,299)	5,024	2,716
Charged / (credited) to the income statement	(16)	1,679	773	2,436
At 30 April 2015	(25)	(620)	5,797	5,152
Charged / (credited) to the income statement	14	620	(433)	201
At 30 April 2016	(11)	-	5,364	5,353

There are no unused tax losses or unused tax credits.

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016 (continued)**

### **15 Called up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully paid</b>		
13,500,000 (2014:13,500,000) ordinary shares of £1 each	<b>13,500</b>	<b>13,500</b>

### **16 Contingent liabilities**

The company, together with certain of its group undertakings subject to common control, has entered into a composite banking arrangement and cross guarantee to secure its banking facilities. The aggregate indebtedness to the bank under this arrangement at 30 April 2016 amounted to £nil (2015: £nil).

The company, together with certain of its fellow group undertakings subject to common control, is also subject to a guarantee between Egger (UK) Holdings Limited and the Trustees of the Egger (UK) Pension Scheme under which it is obliged when called to make payments to the Scheme to fund its liabilities. The latest valuation of the pension scheme, prepared in accordance with IAS 19, shows a gross deficit at the balance sheet date of £19.5m (2015: £17.8m).

### **17 Financial commitments**

The future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating leases which expire:</b>		
Within one year	<b>30</b>	<b>49</b>
Between two and five years	<b>535</b>	<b>484</b>
	<b>565</b>	<b>533</b>

# **Egger (UK) Limited**

## **Notes to the financial statements for the year ended 30 April 2016 (continued)**

### **18 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the company to the scheme and amounted to £887,000 (2015: £845,000).

Contributions amounting to £132,000 (2015: £121,000) were payable to the scheme and are included in creditors.

The company is also a member of a group wide pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19 'Employee benefits' the scheme has been accounted for in these financial statements as if it were a defined contribution scheme. The latest valuation of the pension scheme, prepared in accordance with IAS 19, shows a gross deficit of £19.5m as at 30 April 2016.

The latest full actuarial valuation was carried out at 5 April 2012 and was updated for IAS 19 purposes to 30 April 2016 by a qualified independent actuary. The group's contribution for the year was £1,217,000 (2015: £1,156,000), including £nil (2015: £nil) payable by the company in respect of the financial year.

### **19 Related party disclosures**

The company is controlled by Egger Holzwerkstoffe GmbH, the immediate and ultimate parent company.

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow subsidiaries under common ownership.

### **20 Ultimate parent undertaking**

The company is a subsidiary undertaking of Egger Holzwerkstoffe GmbH, the ultimate parent company incorporated in Austria.

The only group in which the results of the company are consolidated is that headed by Egger Holzwerkstoffe GmbH, incorporated in Austria. The consolidated financial statements of this group are available to the public and may be obtained from Landesgericht Innsbruck, Maximilianstrasse 4, 6020 Innsbruck, Austria.

## Egger (UK) Limited

### Notes to the financial statements for the year ended 30 April 2016 (continued)

#### 21 Changes in accounting policies

##### Impact of change in accounting policy on the Statement of comprehensive income

	For the year ended 30 April 2015 £'000	Adoption of FRS 101 £'000	For the year ended 30 April 2015 as presented £'000
Turnover	233,926	(21)	233,905
Cost of sales	(196,190)	-	(196,190)
Gross profit	37,736	(21)	37,715
Distribution costs	(10,962)	-	(10,962)
Administrative expenses	(10,447)	-	(10,447)
Other operating income	4,176	-	4,176
Operating profit	20,503	(21)	20,482
Interest receivable and similar income	87	-	87
Interest payable and similar charges	(5,427)	-	(5,427)
Profit on ordinary activities before taxation	15,163	(21)	15,142
Tax on profit on ordinary activities	(2,490)	34	(2,456)
Profit for the financial year	12,673	13	12,686

# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 21 Changes in accounting policies (continued)

#### Impact of change in accounting policy on the balance sheet

	As at 30 April 2015 £'000	Adoption of FRS 101 £'000	As at 30 April 2015 as presented £'000
<b>Fixed assets</b>			
Tangible assets	109,638	-	109,638
<b>Current assets</b>			
Stocks	22,763	-	22,763
Debtors	37,679	(187)	37,492
Cash at bank and in hand	5	-	5
	60,447	(187)	60,260
<b>Creditors: amounts falling due within one year</b>	(49,387)	-	(49,387)
<b>Net current assets</b>	11,060	(187)	10,873
<b>Total assets less current liabilities</b>	120,698	(187)	120,511
Creditors: amounts falling due after more than one year	(75,443)	-	(75,443)
Provisions for liabilities	(5,011)	(141)	(5,152)
<b>Net assets</b>	40,244	(328)	39,916
<b>Equity</b>			
Called up share capital	13,500	-	13,500
Capital contribution reserve	28,000	-	28,000
Profit and loss account	(1,256)	(328)	(1,584)
<b>Total shareholders' funds</b>	40,244	(328)	39,916



# Egger (UK) Limited

## Notes to the financial statements for the year ended 30 April 2016 (continued)

### 21 Changes in accounting policies (continued)

#### Impact of change in accounting policy on the balance sheet

	As at 1 May 2014 £'000	Adoption of FRS 101 £'000	As at 1 May 2014 as presented £'000
<b>Fixed assets</b>			
Tangible assets	112,228	-	112,228
<b>Current assets</b>			
Stocks	20,926	-	20,926
Debtors	27,479	(166)	27,313
Cash at bank and in hand	30	-	30
	48,435	(166)	48,269
<b>Creditors: amounts falling due within one year</b>	(45,102)	-	(45,102)
<b>Net current assets</b>	3,333	(166)	3,167
<b>Total assets less current liabilities</b>	115,561	(166)	115,395
Creditors: amounts falling due after more than one year	(85,449)	-	(85,449)
Provisions for liabilities	(2,541)	(175)	(2,716)
<b>Net assets</b>	27,571	(341)	27,230
<b>Equity</b>			
Called up share capital	13,500	-	13,500
Capital contribution reserve	28,000	-	28,000
Profit and loss account	(13,929)	(341)	(14,270)
<b>Total shareholders' funds</b>	27,571	(341)	27,230

#### Notes to the reconciliations of the impact of FRS 101

- (a) A provision has been recognised for cash discounts on debtors at year end, as per IAS 37. The effect of this change is a reduction in debtors of £187,000, an increase in deferred tax liabilities of £141,000 and a decrease in equity of £328,000 as at 30 April 2015. In previous accounts reported under UK GAAP management took the provision not to provide for cash discounts.

## **Egger (UK) Limited**

### **Notes to the financial statements for the year ended 30 April 2016 (continued)**

#### **Changes in accounting policies (continued)**

- (b) The company has recognised deferred tax liabilities in relation to Industrial buildings constructed pre April 2007. Under UK GAAP, no deferred tax is provided for Industrial buildings constructed pre April 2007. The effect of the changes is an increase in the deferred tax provision as at 30 April 2014 of £175,000, a credit to the statement of comprehensive income for the year ended 30 April 2015 of £34,000 and an increase in the deferred tax provision as at 30 April 2015 of £141,000.