Campact Limited

Directors' report and financial statements

for the year ended 30 April 2016

Campact Limited

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for the year ended 30 April 2016

Contents

Campact 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
Campact Limited (Campact) produces resin and glue for supply to the Egger production sites, at Hexham in Northumberland and at Barony in Ayrshire. The resin and glue are used in the production of wood based panels and impregnated paper.

Campact Limited has delivered a stable financial performance for the year ending 30 April 2016:

- Turnover has increased by 2.5% to £28.7m (2015: £28.0m)
- Gross profit has increased by 63.7% to £3.4m (2015: £2.1m)
- Gross margin has increased to 11.9% (2015: 7.4%)
- Operating profit of £1.8m (2014: £1.4m)

The net assets of the company have increased to £3.8m (2015: £2.9m) due to the transfer to reserves of the current year profit of £0.9m (2015: £0.7m).

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; 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.

Principal Risks and Uncertainties
Campact, 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.

The main risk for Campact is increasing raw material prices. Campact uses urea, methanol and melamine in its production of resin and glue. These chemicals can be subject to volatile price fluctuations. The price risk is managed by the Egger Group entering into contracts with key suppliers.

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

Future developments
The directors are expecting another year of continuing stable production from Campact.

Modernisation and upgrade of the Campact plant was completed in the year ended 30 April 2016. The resin and formaldehyde plants and cooling towers have been replaced with modern state of the art facilities.

On behalf of the board

B Steinlechner
Director

31 August 2016

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.

Proposed dividend
The directors do not recommend the payment of a dividend.

Political and charitable contributions
The company made no political or charitable contributions or incurred any political expenditure during the year (2015: nil).

Financial risk management
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 finance department has a policy and procedure manual set by the Egger board that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments.

Currency risk – transaction exposure
The company has 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.

Liquidity risk and cash management
The company meets its day to day working capital requirements through operating cash flows and funding from group companies. 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.

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

E Bretterklieber-Taye (appointed 1 October 2015)
M R Livesey
M Steinhagen
B Steinlechner

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

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.

Statement of directors' responsibilities

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

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

Statement of directors' responsibilities (continued)

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

B Steinlechner
Director 31 August 2016

Independent auditors' report to the members of Campact Limited

Report on the financial statements

Our opinion

In our opinion, Campact 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.

Independent auditors' report to the members of Campact 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 pages 4 and 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 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.

Bill MacLeod

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

Campact Limited

Statement of comprehensive income for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Turnover	1	**28,732**	28,042
Cost of sales		**(25,315)**	(25,955)
Gross profit		**3,417**	2,087
Distribution costs		**(382)**	(251)
Administrative expenses		**(1,405)**	(550)
Other operating income		**188**	82
Operating profit		**1,818**	1,368
Interest receivable and similar income	5	**18**	15
Interest payable and similar charges	6	**(724)**	(131)
Profit on ordinary activities before taxation	2	**1,112**	1,252
Tax on profit on ordinary activities	7	**(197)**	(599)
Profit for the financial year		**915**	653

All amounts relate to continuing operations.

The company has no recognised other comprehensive income and therefore no separate statement 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.

Balance sheet as at 30 April 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	8		**24,536**		22,727
Current assets					
Stocks	9	**762**		670	
Debtors	10	**8,547**		6,511	
			9,309		7,181
Creditors: amounts falling due within one year	11		**(29,117)**		(26,292)
Net current liabilities			**(19,808)**		(19,111)
Total assets less current liabilities			**4,728**		3,616
Provisions for liabilities	12		**(943)**		(746)
Net assets			**3,785**		2,870
Capital and reserves					
Called up share capital	13		**1,000**		1,000
Capital contribution reserve			**1,500**		1,500
Profit and loss account			**1,285**		370
Total shareholders' funds			**3,785**		2,870

The financial statements on pages 8 to 27 were approved by the board of directors on 31 August 2016 and signed on its behalf by:

B Steinlechner
Director

Campact Limited **Registered number 02258069**

Campact 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	1,000	1,500	(283)	2,217
Total comprehensive income for the year, comprising:				
Profit for the financial year	-	-	653	653
Total comprehensive income for the	-	-	653	653
Balance at 30 April 2015	1,000	1,500	370	2,870

	Called up share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 May 2015	**1,000**	**1,500**	**370**	**2,870**
Total comprehensive income for the year, comprising:				
Profit for the financial year	-	-	**915**	**915**
Total comprehensive income for the	-	-	**915**	**915**
Balance at 30 April 2016	**1,000**	**1,500**	**1,285**	**3,785**

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
Campact produces resin and glue for supply to the Egger production sites, at Hexham in Northumberland and at Barony in Ayrshire. The resin and glue are used in the production of wood based panels and impregnated paper.

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" ("FRS 101") and the Companies Act 2006. The company has adopted FRS 101 for the first time. Details of the impact of transition to FRS 101 are set out in note 19.

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

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 18 gives details of the company's ultimate parent and from where its consolidated financial statements, prepared in accordance with IFRS, may be obtained.

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 UK group is headed by Egger (UK) Holdings Limited and the company's ultimate parent undertaking 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 and UK group are part of a cash pooling arrangement with the group headed by Egger Holzwerkstoffe GmbH.

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	-	10 to 15 years
Computer hardware	-	3 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.

Borrowing costs, including related transaction costs, are capitalised for qualifying assets.

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

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

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

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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.

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

Taxation
The charge for taxation is based on the results 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.

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.

Turnover
Turnover represents amounts invoiced during the year, exclusive of value added tax. Turnover is recognised on despatch of goods.

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

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.

(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 as a defined contribution scheme, see note 16 for further details.

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

1 Turnover

Turnover is attributable to the one principal activity of the company and arises entirely in the United Kingdom.

2 Profit on ordinary activities before taxation

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**1,353**	374
Loss on disposal of tangible fixed assets	**112**	75
Hire of other assets - operating leases	**1**	4
Net exchange losses/(gains)	**137**	(635)
Inventories recognised as an expense during the year	**22,695**	22,570

	2016	2015
	£'000	£'000
Auditors' remuneration		
Audit of these financial statements	**6**	6

3 Remuneration of directors

	2016	2015
	£'000	£'000
Directors' emoluments	**81**	54
Company contributions to money purchase pension schemes	**1**	3

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

3 Remuneration of directors (continued)

The number of directors who accrued benefits under company pension schemes was as follows:

	2016	2015
	Number	Number
Money purchase schemes	**1**	1

4 Staff numbers and costs

The monthly average number of persons employed by the company during the year, including directors, was as follows:

	2016	2015
	Number	Number
Production and distribution	**30**	27
Administration	**1**	1
	31	28

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	**1,221**	1,228
Social security costs	**125**	114
Other pension costs (note 16)	**54**	51
	1,400	1,393

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

5 Interest receivable and similar income

	2016	2015
	£'000	£'000
On amounts owed by group undertakings	**18**	15

6 Interest payable and similar charges

	2016	2015
	£'000	£'000
On amounts owed to group undertakings	**724**	131

Interest expense is stated net of £403,000 (2015: £42,000) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment during the year. This has been calculated by applying a capitalisation rate of 3.5% (2015: 0.5%) to expenditure on such assets as prescribed by IAS 23 'Borrowing Cost'

7 Tax on profit on ordinary activities

Tax expense included in the profit and loss

	2016	2015
	£'000	£'000
Current tax:		
UK Corporation tax on profits for the year	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	**153**	543
Adjustment in respect of prior years	**44**	56
Total deferred tax (note 12)	**197**	599
Total tax on profit on ordinary activities	**197**	599

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

7 Tax on profit on ordinary activities (continued)

The tax charge assessed for the year is lower (2015: lower) than the effective rate of corporation tax in the UK of 20.00% (2015: 20.92%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before tax	**1,112**	1,252
Profit multiplied by the standard rate of tax in the UK of 20.00% (2015: 20.92%)	**222**	262
Effects of:		
- Capital allowances	**51**	15
- Adjustments to tax charge in respect of prior years – deferred tax	**44**	55
- Adjustments to closing deferred tax in respect of rate change	**(105)**	(22)
- Group relief surrendered	**86**	285
- Expenses not deductible for tax purposes	**(99)**	4
- Other short term timing differences	**(2)**	-
Total charge	**197**	599

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.

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

8 Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures and fittings, tools, equipment and computer hardware	Motor vehicles	Assets under the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At beginning of year	1,392	9,639	5	87	14,838	25,961
Additions	310	2,959	-	-	7	3,276
Disposals	(4)	(2,126)	-	-	-	(2,130)
Transfer between items	3,893	10,880	-	-	(14,773)	-
At end of year	5,591	21,352	5	87	72	27,107
Accumulated depreciation						
At beginning of year	43	3,144	2	45	-	3,234
Charge for year	182	1,159	1	11	-	1,353
On disposals	(3)	(2,013)	-	-	-	(2,016)
At end of year	222	2,290	3	56	-	2,571
Net book value						
At 30 April 2016	**5,369**	**19,062**	**2**	**31**	**72**	**24,536**
At 30 April 2015	1,349	6,495	3	42	14,838	22,727

Included within plant and machinery is £390,000 of borrowing costs (2015: £285,000) and £104,000 (2015: £76,000) included within land and buildings (2015: assets under the course of construction) capitalised in the cost of qualifying assets during the year.

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

9 Stocks

	2016	2015
	£'000	£'000
Raw materials	311	228
Work in progress	107	-
Finished goods and goods for resale	344	442
	762	670

10 Debtors

	2016	2015
	£'000	£'000
Trade debtors	-	14
Amounts owed by group undertakings	7,528	5,188
VAT recoverable	942	1,247
Other debtors	9	15
Prepayments and accrued income	68	47
	8,547	6,511

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
Trade creditors	**1,857**	2,466
Amounts owed to group undertakings	**26,816**	23,055
Other creditors	**388**	721
Taxation and social security	**33**	29
Accruals and deferred income	**23**	21
	29,117	26,292

Included in amounts owed to group undertakings is a loan of £25,000,000 (2015: £21,600,000) from Northumbria Finance Limited, a fellow group undertaking. The loan is subject to interest at a base rate of 1.05% until 30 April 2018 plus a 2.45% margin. There is no fixed repayment date.

12 Provisions for liabilities

	2016	2015
	£'000	£'000
Total provision	**943**	746

Deferred tax	**Accelerated capital allowances**	**Other**	**Total**
	£'000	**£'000**	**£'000**
As 1 May 2014	**287**	**(140)**	**147**
Charged to the income statement	**745**	**(146)**	**599**
At 30 April 2015	**1,032**	**(286)**	**746**
Charged to the income statement (note 7)	**168**	**29**	**197**
At 30 April 2016	**1,200**	**(257)**	**943**

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

13 Called up share capital

	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
1,000,000 (2015: 1,000,000) ordinary shares of £1 each	**1,000**	1,000

14 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).

15 Financial commitments

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

	2016	2015
	£'000	£'000
Not later than one year	**-**	4

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

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £54,000 (2015: £51,000).

Contributions amounting to £9,000 (2015: £8,000) were payable to the scheme at the year end 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 FRS 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.

17 Related party disclosures

The company is controlled by Egger (UK) Holdings Limited, its immediate parent undertaking. The ultimate controlling party is Egger Holzwerkstoffe GmbH, the ultimate parent undertaking.

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 FRS101 not to disclose transactions with fellow subsidiaries under common ownership.

18 Ultimate parent undertaking

The company is a subsidiary undertaking of Egger (UK) Holdings Limited, incorporated in England and Wales. The ultimate parent undertaking is Egger Holzwerkstoffe GmbH, 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.

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

19 Changes in accounting policies

Impact of change in accounting policy on the profit and loss

	For the year ended 30 April 2015	Adoption of FRS 101	For the year ended 30 April 2015 as presented
	£'000	£'000	£'000
Turnover	28,042	-	28,042
Cost of sales	(25,955)	-	(25,955)
Gross profit	2,087	-	2,087
Distribution costs	(251)	-	(251)
Administrative expenses	(550)	-	(550)
Other operating income	82	-	82
Operating profit	1,368	-	1,368
Interest receivable and similar income	15	-	15
Interest payable and similar charges	(450)	319	(131)
Profit on ordinary activities before taxation	933	319	1,252
Tax on profit on ordinary activities	(533)	(66)	(599)
Profit for the financial year	400	253	653

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

19 Changes in accounting policies (continued)

Impact of change in accounting policy on the balance sheet

	As at 30 April 2015	Adoption of FRS 101	As at 30 April 2015
	£'000	£'000	£'000
Fixed assets			
Tangible assets	22,366	361	22,727
Current assets			
Stocks	670	-	670
Debtors	6,511	-	6,511
	7,181	-	7,181
Creditors: amounts falling due within one year	(26,292)	-	(26,292)
Net current assets/(liabilities)	(19,111)	-	(19,111)
Total assets less current liabilities	3,255	361	3,616
Provisions for liabilities	(671)	(75)	(746)
Net assets	2,584	286	2,870
Capital and reserves			
Called up share capital	1,000	-	1,000
Capital contribution reserve	1,500	-	1,500
Profit and loss account	84	286	370
Total shareholders' funds	2,584	286	2,870

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

19 Changes in accounting policies (continued)

Impact of change in accounting policy on the balance sheet

	As at 1 May 2014	Adoption of FRS 101	As at 1 May 2014 as presented
	£'000	£'000	£'000
Fixed assets			
Tangible assets	13,683	42	13,725
Current assets			
Stocks	854	-	854
Debtors	4,131	-	4,131
	4,985	-	4,985
Creditors: amounts falling due within one year	(16,346)	-	(16,346)
Net current assets/(liabilities)	(11,361)	-	(11,361)
Total assets less current liabilities	2,322	42	2,364
Creditors: amounts falling due after more than one year	-	-	-
Provisions for liabilities	(138)	(9)	(147)
Net assets	2,184	33	2,217
Capital and reserves			
Called up share capital	1,000	-	1,000
Capital contribution reserve	1,500	-	1,500
Profit and loss account	(316)	33	(283)
Total shareholders' funds	2,184	33	2,217

Notes to the reconciliations of the impact of FRS 101

The company has incurred borrowing costs in respect of capital expenditure projects, which were expensed. Under IAS 23 "Borrowing costs", an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Under UK GAAP, the borrowing costs were expensed to the profit and loss account. The effect of this change is an increase in tangible assets of £42,000 and a related increase in the deferred tax liability of £9,000 as at 1 May 2014, a reduction in interest expense of £319,000 and an increase in tax on profit of £66,000 for the year ended 30 April 2015, and an increase in tangible assets of £361,000, an increase in deferred tax liabilities of £75,000 and an increase in equity of £286,000 as at 30 April 2015.