

**Howarth Timber Group Limited**

**Annual report and financial statements**

**Registered number 67025**

**31 March 2017**

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## Strategic report

The directors present the annual Strategic report for Howarth Timber Group for year ended 31<sup>st</sup> March 2017.

### Principal activities and business review

The company's principal activity is that of a holding company. The Group carries on the business of timber importers, retailers of timber and building supplies to merchants and do-it-yourself retailers and also manufacturers timber window frames, roof trusses and flooring.

### Business Model

The Group supplies products to a wide range of customers within the construction market and creates value at different stages of that process.

Core to the Group is the focus on the Merchant network through which the majority of the Groups sales are made. Approximately 47% of Group turnover is through Howarth Timber & Building Supplies, a network of 30 Merchant trade branches. Howarth Timber & Building Supplies purchase products competitively through industry buying Groups and sell them on, primarily to small builders who will most commonly be involved with small developments or in the repairs and renewals market. Through competitive pricing, quality products and excellent customer service, the business is one of the leading independent Merchants in the UK.

Another significant part of the Group is the importing of timber through its own port and then adding value and distributing that timber to the wider Merchant network. With the New Holland Docks (Wharfingers) Ltd business providing a docking service, Arbor Forest Products Ltd are able to manage their own imports as well as providing a service for third parties. As the market continues to evolve, approximately 75% of raw material is now treated or machined prior to resale, adding further value to the process. Arbor Forest Products Ltd has a reputation for quality product and a reliable distribution service meaning it is one of the leading distributors of timber, decking and flooring in to the Merchant market place in the country.

The remaining two business within the Group, Howarth Timber Windows & Doors Ltd and Howarth Timber Engineered Solutions Ltd both sell in to the new house build market and therefore tend to deal with regional and in some cases, national house builders. Howarth Timber Engineered Solutions manufacture Trusses and I-Beams, whilst Howarth Timber Windows & Doors manufacture timber frame windows and doors, with both businesses adding value through the manufacture process.

### Overall performance

2016/17 has been another excellent year for the Group. The core businesses continued to grow in both turnover and profit and turnover for the Group rose 9.3% to £185.0m (2016: £169.2m), resulting in operating profits increasing to £10.1m (2016: £9.3m). The Board are extremely pleased with the result as the Group continues to move forward year on year.

The construction industry itself remained robust in the wake of the Brexit vote early in the financial year and whilst there is uncertainty as to the future, the market is showing signs of resilience. Howarth Timber & Building Supplies saw another 10.7% growth in sales value in 2016/17, whilst Arbor Forest Products Limited who also sell primarily in to the Repair & Maintenance market saw growth of 12.8% albeit price inflation in both businesses was higher than normal following Brexit and the weakening of the pound. Price increases also affected Engineered Solutions, who sell in to the new house build market, resulting in margins being squeezed and profit fall as a result, even though turnover increased to £19.1m. Despite the Windows & Doors business having a more difficult year and posting a small loss, the fact that the Group has continued to see growth in both top line and bottom line reflects the underlying strength of the management of the business and the controls inherent within all areas of the Group.

Further investment is planned in all areas of the business and the Board is confident that planned investments for 2017/18 will go ahead in order to continue the growth of the business and strengthen the business for the future. This will build on the investments made over recent years when a number of opportunities were identified and acted on quickly on the back of the improved trading conditions.

The Group had a cash inflow of £8.6m from operations during the year (2016: £11.6m), invested £9.3m (2016: £10.0m) in capital expenditure, with net debt increasing to £8.1m from £7.9m.

## Strategic report *(continued)*

### Divisional performance

Turnover at the **Howarth Timber & Building Supplies** business continued to grow on the back of the continued confidence in the overall economy, as it increased by 10.7% to £86.8m (2016: £78.4m), whilst operating profit grew 23% to £3.6m (2016: £3.0m). The merchant business represents 47% of total Group turnover. As was the case in the previous year, despite the overall increase in turnover, the marketplace remains very competitive and margins were very similar to prior year. However, with good cost control continuing to be exercised across the branch network, the business managed to increase its profitability in line with budgeted expectation.

The **Arbor Forest Products** import business saw turnover increase by 12.8% year on year to £77.6m, up from £68.8m in 2016, driven in part by general price inflation but predominantly continued reputation for quality product and customer service, leading to new business wins. With improvements in productivity and efficiency, the business is well set to continue that growth in to the new financial year.

**Howarth Timber Engineered Solutions**, the Truss & I-Beam business saw turnover hit £19.1m (2016: £18.2m) but with rising raw material prices and squeezed margins, operating profit fell to £0.8m (2016: £1.2m).

**Howarth Timber Window & Doors**. Despite a more challenging year for the business, sales hit £9m for the first time and product development continues to be at the forefront of the business strategy and new products now available to the market in 2017 should help the business achieve further growth in the coming financial year.

The **New Holland Dock Company** operating the Group's docking facility increased revenues to £2.9m (2016: £2.8m) and reported an operating profit of £0.8m (2016: £0.6m) as the benefit of more efficient working practises fall to the bottom line.

### Future prospects

As we move through the new financial year, trading conditions have tightened during the first quarter of 2017/18 for the repair and maintenance market although order books remain strong in terms of the new house build market. There is concern regarding the impact of 'Brexit', compounded by the result of the General Election in June, and how this will affect the economy, and therefore the business, going forward. However, the Board are confident the business can cope with any slowing of the economy and have contingency plans in place for such an event.

As ever, Howarth Timber Group has continued to look for new investment opportunities and once again have a positive capital expansion program in 2017/18 that should allow for the continued profitable growth of all business units in the Group. Capital funds have been set aside within the 2017/18 budget to ensure these opportunities can be grasped and this comes on the back of considerable investment over the last 3 years which will underpin the performance of the Group over the coming 12 months and beyond. The Group continues to look at new ways of increasing market share either through new products or new ways of delivering to the market and are confident of delivering another good set of results for the forthcoming year.

## Strategic report *(continued)*

Key financial performance indicators include the monitoring of the management of profitability and working capital.

	2017	2016	Measure
<b>Financial</b>			
Return on capital	0.17	0.15	Profit before tax/net assets
Current ratio	1.82	2.03	Current assets/current liabilities
Stock turnover	6.34	6.85	Turnover/stock
Days debtors	62	59	Trade debtors/ turnover x 365
Sales per employee (£000)	189	188	Turnover/average number of employees
Operating profit per employee (£000)	10.28	7.59	Operating profit/average number of employees

The above ratios reflect the improvement in the company results following and improvement in Group turnover and profitability. Key performance ratios are used to monitor the performance of all the business units and are monitored at Board level at monthly business unit board meetings.

The above ratios are selected as they measure the performance of the business in key areas of: profitability, working capital, cash and labour utilisation. These provide an important overview of the key aspects of the business.

### Principal risks and uncertainties

The principal risks and uncertainties affecting the business include the following:

- **Foreign currency exchange:** the Group monitors closely short, medium and long term exchange rates and has a policy of hedging against currency fluctuations relating to transactions. This is primarily an issue in relation to the importing of timber from Scandinavia and Russia, although many of the contracts are now set in sterling.
- **Raw material availability and prices:** the Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.
- **Environmental risks:** the Group places considerable emphasis upon environmental compliance in each of its businesses and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- **Debtors:** the Group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the Group maintains credit insurance whereby the majority of outstanding debts are credit insured.
- **Major disruption/disaster:** although all insurable risks are insured, business continuity planning is reviewed regularly. The flood at the Windows and Doors factory in December 2013 demonstrated the ability of the business to respond to a major incident and minimise any financial impact on the business.
- **Theft and Misappropriation:** The business has an effective internal audit team that audits all sites for procedural compliance against Group operating policies, reducing the instance of theft and stock losses in general.
- **The effect of legislation or other regulatory activities:** the Group monitors forthcoming and current legislation regularly.
- **Pension funding risk:** the company operates a pension plan as detailed in note 23. The funding of the pension liabilities at 31 March 2017 was 79% by equities and 21% by other assets. The company is subject to funding risks, principally poor performance of the equity investments and increased longevity of the members. Such risks could result in increased contributions by the company to the pension schemes.
- **New product, project and technology risk:** the company develops new technologies and introduces new products when available. All new technologies and products involve business risk both in terms of possible abortive expenditure, reputational risk and potentially customer claims or onerous contracts. Such risks may materially impact the company.
- **All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.**

## Strategic report *(continued)*

- **Competitive risk:** The Group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations and proactive approach to industry changes by management reduces the possible effect of action by any single competitor.
- **Brexit:** The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, it is too early to conclude how the UK exit will affect the Company's business, customers and employees. While the UK Government has set out its intention to leave the 'Single Market', uncertainties remain relating to limitations about the movement of people and workers and the wider impact on the UK economy.

Key areas of strategic development and performance of the business include:

- **Sales and marketing:** new and replacement business is being won continually and key customer relationships are monitored on a regular basis.
- **Manufacturing:** new products continue to be developed for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed. In addition, a programme of replacing older machinery with new is ongoing.
- **Health and Safety:** accident and absenteeism rates are monitored and reviewed by Group Health and Safety teams and the Group continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.



**A P Howarth**  
*Director*

Prince Edward Works  
Pontefract Lane  
LEEDS  
West Yorkshire  
LS9 0RA

25<sup>th</sup> August 2017

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

### Result for the year

The Group is reporting an operating profit of £10.1m (2016: £9.3m). Further commentary on the result can be found in the strategic report.

### Proposed dividend

Dividends of £nil (2016: £0.5m) were paid during the year. The directors do not recommend the payment of a further dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

ND Howarth	
AP Howarth	(Chairman)
JA Howarth	
DJ Howarth	
JD Netherton-Sinclair	

The chairmanship of the company rotates on an annual basis. The director retiring by rotation is AP Howarth who, being eligible offers himself for re-election.

### Employees

The Group's policy is founded on the belief that the disabled do not belong to a single category but are individuals offering a wide range of skills and capabilities whose disabilities vary in their nature and severity and may not necessarily limit the work they do. Within that context it is the Group's policy that disabled people should have the same considerations as others for all job vacancies for which they apply as suitable candidates. Depending on their own skills and abilities the disabled have the same career prospects and opportunities for promotion as other employees and the same scope for realising their full potential within the working structure of the Group.

The Group is committed to the development of employee consultation so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and 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 auditor is aware of that information.

### Auditor

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

By order of the board



A P Howarth  
Director

Prince Edward Works  
Pontefract Lane  
LEEDS  
West Yorkshire, LS9 0RA  
25<sup>th</sup> August 2017

## Statement of directors' responsibilities in respect of the Strategic Report, The Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOWARTH TIMBER GROUP LIMITED**

We have audited the financial statements of Howarth Timber Group Limited for the year ended 31 March 2017 set out on pages 11 to 64. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOWARTH TIMBER GROUP LIMITED (continued)**

**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.

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

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

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



David Morritt (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
1 Sovereign Square,  
Sovereign Street,  
Leeds,  
LS1 4DA  
25<sup>th</sup> August 2017

**Consolidated Income Statement**  
*for the year ended 31 March 2017*

	<i>Note</i>	<b>2017</b> £000	<b>2016</b> £000
<b>Revenue</b>	2	<b>185,009</b>	169,232
Other income	3	1,336	1,455
		<hr/>	<hr/>
		<b>186,345</b>	170,687
Changes in inventories of finished goods and work in progress		7,592	(2,545)
Raw materials and consumables used		(129,773)	(108,726)
Staff costs	5	(28,319)	(25,611)
Depreciation and amortisation		(4,778)	(4,435)
Other expenses		(20,988)	(20,078)
		<hr/>	<hr/>
Total expenses		(176,266)	(161,395)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>10,078</b>	9,292
Financial income	6	180	98
Financial expenses	6	(812)	(629)
		<hr/>	<hr/>
<b>Net financing expense</b>		<b>(632)</b>	(531)
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>9,446</b>	8,761
Taxation	7	(1,960)	(1,869)
		<hr/>	<hr/>
<b>Profit from continuing operations</b>		<b>7,486</b>	6,892
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>7,486</b>	6,892
		<hr/>	<hr/>
<b>Attributable to:</b>			
Equity holders of the parent		7,486	6,892
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>7,486</b>	6,892
		<hr/>	<hr/>

**Consolidated Statement of Comprehensive Income**  
*for year ended 31 March 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Profit for the year</b>		<b>7,486</b>	<b>6,892</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurements of defined benefit liability	18	569	990
Income tax on items that will not be reclassified to profit or loss		(97)	(177)
<b>Other comprehensive income for the year, net of income tax</b>		<b>472</b>	<b>813</b>
<b>Total comprehensive income for the year</b>		<b>7,958</b>	<b>7,705</b>
<b>Attributable to:</b>			
Equity holders of the parent		<b>7,958</b>	<b>7,705</b>
		<b>7,958</b>	<b>7,705</b>

## Consolidated Balance Sheet

at 31 March 2017

		2017 £000	2016 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	38,183	33,687
Intangible assets – Software		97	136
Goodwill	9	1,070	1,070
Deferred tax assets	11	485	717
		<u>39,835</u>	<u>35,610</u>
<b>Current assets</b>			
Inventories	12	29,190	22,073
Trade and other receivables	13	36,759	33,259
Cash and cash equivalents	14	5,352	3,173
		<u>71,301</u>	<u>58,505</u>
<b>Total assets</b>		<u>111,136</u>	<u>94,115</u>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	16	(1,598)	(1,522)
Trade and other payables	17	(35,575)	(27,873)
Tax payable		(2,108)	(2,183)
		<u>(39,281)</u>	<u>(31,578)</u>
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	16	(11,848)	(9,548)
Employee benefits	18	(2,513)	(3,467)
Provisions	19	(787)	(766)
Deferred tax liabilities	11	(274)	(281)
		<u>(15,422)</u>	<u>(14,062)</u>
<b>Total liabilities</b>		<u>(54,703)</u>	<u>(45,640)</u>
<b>Net assets</b>		<u>56,433</u>	<u>48,475</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	20	2	2
Share premium	20	407	407
Other Reserves	20	298	298
Retained earnings		55,726	47,768
<b>Total equity</b>		<u>56,433</u>	<u>48,475</u>

These financial statements were approved by the board of directors on 25 August 2017 and were signed on its behalf by:

AP Howarth  
Director

Company registered number: 67025

## Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2015	2	407	298	40,513	41,220
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	6,892	6,892
Other comprehensive income	-	-	-	990	990
Deferred tax on Pension liability	-	-	-	(177)	(177)
<b>Total comprehensive income for the period</b>	-	-	-	7,705	7,705
Dividends	-	-	-	(450)	(450)
<b>Total transactions with owners recorded directly in equity</b>	-	-	-	(450)	(450)
<b>Balance at 31 March 2016</b>	<b>2</b>	<b>407</b>	<b>298</b>	<b>47,768</b>	<b>48,475</b>

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	2	407	298	47,768	48,475
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	7,486	7,486
Other comprehensive income	-	-	-	569	569
Deferred tax on Pension liability	-	-	-	(97)	(97)
<b>Total comprehensive income for the period</b>	-	-	-	7,958	7,958
Dividends	-	-	-	-	-
<b>Total transactions with owners recorded directly in equity</b>	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>2</b>	<b>407</b>	<b>298</b>	<b>55,726</b>	<b>56,433</b>

## Consolidated Cash Flow Statement

for year ended 31 March 2017

	2017 £000	2016 £000
<b>Cash flows from operating activities</b>		
Profit for the year	7,486	6,892
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	4,778	4,435
Pension cash flow in excess of income statement charge	(546)	(420)
Financial income	(180)	(98)
Financial expense	812	629
Gain on sale of property, plant and equipment	(246)	(294)
Taxation	1,960	1,869
(Increase)/decrease in trade and other receivables	(3,500)	(3,256)
(Increase)/decrease in inventories	(7,117)	642
(Decrease)/increase in trade and other payables	7,701	3,103
(Decrease)/increase in provisions and employee benefits	(74)	46
	<b>11,074</b>	<b>13,548</b>
Interest paid	(651)	(378)
Tax paid	(1,805)	(1,580)
<b>Net cash from operating activities</b>	<b>8,618</b>	<b>11,590</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	295	458
Interest received	180	98
Acquisition of subsidiaries	0	(1,182)
Acquisition of property, plant and equipment	(9,290)	(9,984)
<b>Net cash from investing activities</b>	<b>(8,815)</b>	<b>(10,610)</b>
<b>Cash flows from financing activities</b>		
Proceeds from new loans	1,901	-
Repayment of borrowings	-	-
Net Receipt/(payment) of finance lease liabilities	475	(557)
Dividends paid	-	(600)
<b>Net cash from financing activities</b>	<b>2,376</b>	<b>(1,157)</b>
Net increase/(decrease) in cash and cash equivalents	2,179	(177)
Cash and cash equivalents at 1 April 2016	3,173	3,350
Effect of exchange rate fluctuations on cash held	-	-
<b>Cash and cash equivalents at 31 March 2017</b>	<b>5,352</b>	<b>3,173</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Howarth Timber Group Limited (the "Company") is a company incorporated and domiciled in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 47 to 64.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 April 2014 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss.

#### 1.2 Going concern

The Group manages its day-to-day working capital requirements through a Group wide facility (incorporating an overdraft and revolving credit facility) which covers all the Group's trading entities.

The total overdraft facility was renewed at a level of £5.0m in January 2017 and is due for renewal in January 2018. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors can confirm that the revolving credit facility was renewed at an increased facility level of £7.5m (previously £4m) on 11 July 2014 for a 5-year period through to 11 July 2019, ensuring the business has sufficient flexibility to manage its affairs in the short to medium term.

The directors have prepared forecasts for the Group for a period in excess of 12 months from the date of approval of these financial statements. These forecasts take account of reasonable possible changes in trading performance in all areas of the business.

These forecasts and projections show that the Group is expected to be able to operate within the level of its current facility and in the view of the directors there is significant headroom under the committed facility that would enable the Group to trade in the event of any decline in the demand for the Group's products and services.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### 1.3 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.



Notes (*continued*)

**1 Accounting policies (*continued*)**

*Transactions eliminated on consolidation*

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**1.4 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

**1.5 Classification of financial instruments issued by the Group**

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group 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 Group; 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.

**1.6 Non-derivative financial instruments**

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

*Trade and other receivables*

Trade and other receivables 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.

*Trade and other payables*

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

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

*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.

Notes (*continued*)

**1 Accounting policies (*continued*)**

**1.7 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 7 years
- fixtures and fittings 4 years
- Commercial Vehicles 7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Buildings are depreciated at 4% p.a. using a reducing balance method.

**1.8 Business combinations**

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

*Acquisitions on or after 1 January 2010*

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interests in the acquiree; plus

the fair value of the existing equity interest in the acquiree; less

the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Notes (*continued*)

**1 Accounting policies (*continued*)**

*Acquisitions prior to 1 April 2014 (date of transition to IFRSs)*

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to 1 April 2014. In respect of acquisitions prior to 1 April 2014, goodwill is included at 1 April 2014 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

**1.9 Intangible assets and goodwill**

*Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

*Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

*Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	5 years
Goodwill	Indefinite life

**1.10 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**1.11 Impairment excluding inventories and deferred tax assets**

*Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **1.12 Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

The Group operates a Group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **1.13 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### **1.14 Revenue**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

#### **1.15 Expenses**

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.17 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IAS 27: Equity Method in Separate Financial Statements
- IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 Cycle
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 41: Bearer Plants

## Notes (continued)

### 2 Revenue

	2017 £000	2016 £000
Sale of goods	185,009	169,232
Total revenues	<u>185,009</u>	<u>169,232</u>

### 3 Other operating income

	2017 £000	2016 £000
Supplier rebates	306	336
Net gain on disposal of property, plant and equipment	246	294
Rent received	231	200
Administration	101	105
Marketing support	215	283
Agency income	179	171
Other Income	58	66
	<u>1,336</u>	<u>1,455</u>

### 4 Expenses and auditors' remuneration

*Included in profit/loss are the following:*

	2017 £000	2016 £000
Research and development expensed as incurred	-	21

*Auditor's remuneration:*

	2017 £000	2016 £000
Audit of these financial statements		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	94	85
Audit-related assurance services	4	4
Taxation compliance services	-	23
Other tax advisory services	30	2

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £2,500 (2016:£2,500).

Amounts paid to the company's auditor and its associates in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Production	510	465
Selling and distribution	311	301
Administration	159	148
	<u>980</u>	<u>914</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	25,488	22,635
Social security costs	2,243	1,983
Expenses related to defined benefit plans	588	993
	<u>28,319</u>	<u>25,611</u>

	2017	2016
	£000	£000
Directors' remuneration	<u>1,507</u>	<u>1,380</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £414,517 (2016: £412,857). He is a member of a closed defined benefit scheme and as such no contributions were paid in to this scheme.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>9</u>	<u>8</u>

### 6 Finance income and expense

#### Recognised in profit or loss

	2017	2016
	£000	£000
Total interest income on financial assets not at fair value through profit or loss	<u>180</u>	<u>98</u>
<b>Total finance income</b>	<u>180</u>	<u>98</u>
Total interest expense on financial liabilities measured at amortised cost	651	378
Net interest on net defined benefit pension plan liability	161	251
<b>Total finance expense</b>	<u>812</u>	<u>629</u>



## Notes (continued)

### 7 Taxation

#### Recognised in the income statement

	2017 £000	2016 £000
<b>Current tax expense</b>		
Current year	1,946	1,945
Adjustments for prior years	-	7
	<hr/>	<hr/>
Current tax expense	1,946	1,952
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	5	(46)
Reduction in tax rate	1	(34)
Adjustments in respect of prior years	8	(3)
	<hr/>	<hr/>
Deferred tax expense	14	(83)
	<hr/>	<hr/>
Tax expense in income statement	1,960	1,869
	<hr/>	<hr/>
Total tax expense	1,960	1,869
	<hr/>	<hr/>

#### Income tax recognised in other comprehensive income

	2017 £000	2016 £000
Remeasurements of defined benefit liability	97	177
	<hr/>	<hr/>
	97	177
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation (continued)

#### Reconciliation of effective tax rate.

	2017 £000	2016 £000
Profit for the year	7,486	6,892
Total tax expense	1,960	1,869
Profit excluding taxation	9,446	8,761
Tax using the UK corporation tax rate of 20 % (2016:20%)	1,889	1,752
Adjustments acquired on acquisition	-	9
Fixed asset differences	109	143
Expenses not deductible for tax purposes	59	40
Adjustment in respect of prior periods	(15)	-
Adjust closing deferred tax rate to average of 20%	(3)	(23)
Other adjustments, reliefs and transfers	(16)	1
Deferred tax not recognised	(63)	(53)
Total tax expense	1,960	1,869

## Notes (continued)

### 8 Property, plant and equipment

	Land and buildings £000	Plant and Equipment £000	Fixtures & fittings £000	Total £000
<b>Cost</b>				
Balance at 1 April 2015	28,952	31,137	5,024	65,113
Acquisitions through business combinations	843	43	-	886
Additions	3,266	5,647	1,071	9,984
Disposals	-	(1,750)	(3)	(1,753)
Balance at 31 March 2016	33,061	35,077	6,092	74,230
Balance at 1 April 2016	33,061	35,077	6,092	74,230
Additions	2,627	5,478	1,185	9,290
Disposals	-	(1,319)	(31)	(1,350)
Balance at 31 March 2017	35,688	39,236	7,246	82,170
<b>Depreciation and impairment</b>				
Balance at 1 April 2015	11,507	21,810	4,424	37,741
Depreciation charge for the year	822	3,302	268	4,392
Disposals	-	(1,586)	(3)	(1,589)
Balance at 31 March 2016	12,329	23,526	4,689	40,544
Balance at 1 April 2016	12,329	23,526	4,689	40,544
Depreciation charge for the year	869	3,527	339	4,735
Disposals	-	(1,268)	(24)	(1,292)
Balance at 31 March 2017	13,198	25,785	5,004	43,987
<b>Net book value</b>				
At 1 April 2015	17,446	9,504	600	27,372
At 31 March 2016 and 1 April 2016	20,732	11,551	1,404	33,687
At 31 March 2017	22,490	13,451	2,242	38,183

#### Leased plant and machinery

At 31 March 2017 the net carrying amount of leased plant and machinery was £5,645,990 (2016: £4,385,865). The leased equipment secures lease obligations (see note 16).

## Notes (continued)

### 9 Intangible assets

	Goodwill £000	Total £000
<b>Cost</b>		
Balance at 1 April 2015	200	200
Acquisitions through business combinations	870	870
	<hr/>	<hr/>
Balance at 31 March 2016	1,070	1,070
	<hr/>	<hr/>
Balance at 1 April 2016	1,070	1,070
Acquisitions through business combinations	-	-
	<hr/>	<hr/>
Balance at 31 March 2017	1,070	1,070
	<hr/>	<hr/>
<b>Amortisation and impairment</b>		
Balance at 1 April 2015	200	200
	<hr/>	<hr/>
Balance at 31 March 2016	-	-
	<hr/>	<hr/>
Balance at 1 April 2016	-	-
	<hr/>	<hr/>
Balance at 31 March 2017	-	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 April 2015	-	-
	<hr/>	<hr/>
At 31 March 2016 and 1 April 2016	1,070	1,070
	<hr/>	<hr/>
At 31 March 2017	1,070	1,070
	<hr/>	<hr/>

During the year ended 31 March 2016 the group acquired 2 subsidiaries S.P. Smith Limited and PT Engineering Limited. The goodwill recognised relates to Goodwill generated on business combinations with these 2 entities.

## Notes (continued)

### 10 Investments in subsidiaries

The Company has the following investments in subsidiaries:

Company	Principle Activity	Class of shares held	Ownership 2017	Ownership 2016
Arbor Forest Products Limited	Timber importers	Ordinary	100%	100%
New Holland Dock Wharfingers Limited	Dock management	Ordinary	100%	100%
Howarth Timber & Building Supplies Limited	Timber, Building Supplies and Do-it-yourself merchants	Ordinary	100%	100%
Howarth Timber (Windows & Doors) Limited	Windows and Doors manufacturing	Ordinary	100%	100%
Howarth Timber Engineered Solutions Limited	Timber Engineers	Ordinary	100%	100%
Boise Building Products Limited*	Dormant	Ordinary	100%	100%
Paul Timber Engineering Limited*	Timber Engineers	Ordinary	100%	100%
S.P. Smith Timber Limited **	Timber Merchant	Ordinary	100%	100%

The company marked \* is owned by Howarth Timber Engineered Solutions Limited

The company marked \*\* is owned by Howarth Timber & Building Supplies Limited

The registered address of Howarth Timber Group, New Holland Dock Wharfingers Limited, Howarth Timber & Building Supplies Limited, Howarth Timber (Windows & Doors) Limited, Howarth Timber Engineered Solutions Limited, Boise Building Products Limited, S.P. Smith Timber Limited and Paul Timber Engineering Limited is Prince Edward Works, Pontefract, Lane, Leeds, West Yorkshire, LS9 0RA. Arbor Forest Products Limited is registered at The Lincoln Castle, Barrow Road, New Holland, Barrow Upon Humber, North Lincolnshire, DN19 7RR.

## Notes (continued)

### 11 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	2016	2017	2016
	£000	£000	£000	£000
Property, plant and equipment	121	72	(274)	(281)
Employee benefits	478	644	-	-
	<u>599</u>	<u>716</u>	<u>(274)</u>	<u>(281)</u>
Tax (assets) / liabilities	599	716	(274)	(281)
Net of tax liabilities/(assets)	-	-	-	-
	<u>599</u>	<u>716</u>	<u>(274)</u>	<u>(281)</u>
Net tax (assets) / liabilities	599	716	(274)	(281)

#### Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Property, plant and equipment	(209)	55	-	(154)
Employee benefits	644	(69)	(97)	478
	<u>435</u>	<u>(14)</u>	<u>(97)</u>	<u>325</u>

#### Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Property, plant and equipment	(284)	75	-	(209)
Employee benefits	871	8	(235)	645
	<u>587</u>	<u>83</u>	<u>(235)</u>	<u>435</u>

Reductions in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted on 26 October 2015 and 6 September 2016 respectively. Deferred tax assets in respect of timing differences are expected to be recoverable against future taxable profits and are recognised according to the rate when the timing differences are expected to reverse.

## Notes (continued)

### 12 Inventories

	2017 £000	2016 £000
Raw materials and consumables	1,868	2,117
Work in progress	300	423
Finished goods	27,022	19,533
	<u>29,190</u>	<u>22,073</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £122,099k (2016: £111,270k). The write-down of inventories to net realisable value amounted to £nil (2016: £26,000).

### 13 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	31,278	27,087
Other receivables	2,184	1,753
Prepayments	3,297	4,419
	<u>36,759</u>	<u>33,259</u>
Non-current	-	-
Current	36,759	33,259

Included within trade and other receivables is £nil (2016: £nil) expected to be recovered in more than 12 months.

Advances for which related work has not started, and billings in excess of costs incurred and recognised profits, are presented as deferred income and amounted to £nil (2016: £nil).

### 14 Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash equivalents	5,352	3,173

### 15 Net debt

	2017 £000	2016 £000
Cash and cash equivalents	5,352	3,173
Rolling cash facility	(7,500)	(7,500)
Finance lease borrowing	(3,400)	(2,925)
Mortgage acquired on acquisition	(2,545)	(644)
	<u>(8,093)</u>	<u>(7,897)</u>
Net debt	(8,093)	(7,897)

## 16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 1.15.

	2017 £000	2016 £000
<b>Non-current liabilities</b>		
Secured bank loans	7,500	7,500
Finance lease liabilities	1,802	1,404
Mortgage acquired on acquisition	2,545	644
	<u>11,848</u>	<u>9,548</u>
<b>Current liabilities</b>		
Current portion of secured bank loans	-	-
Current portion of finance lease liabilities	1,598	1,522
	<u>1,598</u>	<u>1,522</u>
	<u><u>13,446</u></u>	<u><u>11,070</u></u>



## Notes (continued)

### 16 Other interest-bearing loans and borrowings (continued)

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017 £000	Carrying amount 2017 £000	Face value 2016 £000	Carrying amount 2016 £000
RCF	GBP	2.1%	2019	7,500	7,500	7,500	7,500
Mortgage	GBP	3.0%	2027	2,546	2,546	644	644
Finance lease liabilities	GBP	3.0%	2019	3,400	3,400	2,926	2,926
				<u>13,446</u>	<u>13,446</u>	<u>11,070</u>	<u>11,070</u>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Interest 2017 £000	Principal 2017 £000	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000
Less than one year	1,683	85	1,598	1,616	94	1,522
Between one and five years	1,898	96	1,802	1,479	75	1,404
More than five years	-	-	-	-	-	-
	<u>3,569</u>	<u>169</u>	<u>3,400</u>	<u>3,095</u>	<u>169</u>	<u>2,926</u>

### 17 Trade and other payables

	2017 £000	2016 £000
Trade payables	27,790	21,325
Non-trade payables and accrued expenses	7,785	6,548
	<u>35,575</u>	<u>27,873</u>

Included within trade and other payables is £nil (2016: £nil) expected to be settled in more than 12 months.

## Notes (continued)

### 18 Employee benefits

#### Pension plans

Howarth Timber Group operates two defined contribution schemes and one defined benefit scheme of which certain employees are members.

##### *Defined contribution scheme*

The pension charge for the period in respect of the defined contribution scheme represents contributions payables by the company to the funds and amounted to £547,206 (2016: £555,678). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

##### *Defined benefit arrangement*

The Group operate a defined benefit scheme in the UK. The scheme was closed to future accrual on 29 January 2009. A full actuarial valuation was carried out as at 5 April 2013 and the preliminary results have been updated to 31 March 2016 by a qualified actuary, independent of the scheme's sponsoring employer.

The revision of IAS 19 requires the Group to make the following disclosures:

(a) information about the characteristics of its defined benefit plans, including:

(i) the nature of the benefits provided by the plan (eg final salary defined benefit plan or contribution-based plan with guarantee). The company has previously operated a defined benefit pension scheme. The scheme closed to both new entrants and continuing contributions by existing members in 2008.

(ii) a description of the regulatory framework in which the plan operates, for example the level of any minimum funding requirements, and any effect of the regulatory framework on the plan, such as the asset ceiling (see paragraph 64). The scheme complies with all current regulations and is due to have its latest tri-annual valuation as at 31st March 2016. The company currently makes deficit funding contributions of £500k p.a.

(iii) a description of any other Group responsibilities for the governance of the plan, for example responsibilities of trustees or of board members of the plan. The scheme is overseen by a board of Trustees who monitor the performance of the scheme in relation to actuarial liabilities. The Trustee board is comprised of both scheme members and company representatives.

(b) a description of the risks to which the plan exposes the Group, focused on any unusual, Group-specific or plan-specific risks, and of any significant concentrations of risk. For example, if plan assets are invested primarily in one class of investments, eg property, the plan may expose the entity to a concentration of property market risk. The scheme has a relatively high proportion of equity based assets which have performed well over the last 4 years but which could expose the scheme to higher levels of risk in a downturn. However, due to a relatively small deficit, the trustees feel this is currently a positive strategy, although more conservative strategies are continually reviewed.

(c) a description of any plan amendments, curtailments and settlements. The scheme has recently undergone a Flexible Apportionment Arrangement meaning that the Parent Company is now responsible for all scheme members. However, under guarantees put in place, subsidiary companies still have responsibility for the members previously employed by that subsidiary should the Group be unable to meet its financial commitments to the scheme.

	2017 £000	2016 £000
Defined benefit asset	21,423	17,688
Total defined benefit asset	21,423	17,688
Total defined benefit liability	(23,936)	(21,155)
Net liability for defined benefit obligations	(2,513)	(3,467)
Total employee benefits	(2,513)	(3,467)

## Notes (continued)

### Employee benefits (continued)

#### Pension plans (continued)

##### Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	(21,155)	(23,423)	17,688	18,695	(3,467)	(4,728)
<b>Included in profit or loss*</b>						
Current service cost	(46)	(102)	-	-	(46)	(102)
Interest cost	(743)	(754)	628	605	(115)	(149)
	<u>(789)</u>	<u>(856)</u>	<u>628</u>	<u>605</u>	<u>(161)</u>	<u>(251)</u>
<b>Included in OCI*</b>						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from:						
Change in financial assumptions	(3,051)	1,855	-	-	(3,051)	1,855
Return on plan assets excluding interest income	-	-	3,620	(865)	3,620	(865)
	<u>(3,051)</u>	<u>1,855</u>	<u>3,620</u>	<u>(865)</u>	<u>569</u>	<u>990</u>
<b>Other</b>						
Contributions paid by the employer	-	-	546	522	546	522
Benefits paid	1,059	1,269	(1,059)	(1,269)	-	-
	<u>1,059</u>	<u>1,269</u>	<u>(1,059)</u>	<u>(1,269)</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 March 2017</b>	<b><u>(23,936)</u></b>	<b><u>(21,155)</u></b>	<b><u>21,423</u></b>	<b><u>17,688</u></b>	<b><u>(2,513)</u></b>	<b><u>(3,467)</u></b>

#### Plan assets

	2017 £000	2016 £000
Cash and cash equivalents	25	28
Equity instruments	17,557	13,926
Debt instruments e.g. Government bonds	17,582	13,954
Derivatives	3,841	3,734
	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>21,423</u></b>	<b><u>17,688</u></b>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

## Notes (continued)

### Employee benefits (continued)

#### Pension plans (continued)

##### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2017	2016
Discount rate at 31 March	2.60%	3.60%
Future pension increases	2.60%	2.30%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 22.5 years (male), 24.6 years (female).

Future retiree upon reaching 65: 24.7 years (male), 26.9 years (female).

##### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2017	2016
	£000	£000
Discount rate	4,308	3,808
Inflation (RPI, CPI)	2,777	2,623

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2017 would have increased by £622k before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31<sup>st</sup> March 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

##### Funding

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plans.

The Group expects to pay £500,000 in contributions to its defined benefit plans in 2017. The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years (2016: 18 years).

##### Defined contribution plans

The Group operates two defined contribution pension plans, one of which is the Auto enrolment scheme.

The total expense relating to these plans in the current year was £547,206 (2016: £555,678)

## Notes (continued)

### 19 Provisions

	Deferred taxation provision £000	Remedial works provisions £000	Total £000
Balance at 1 April 2016	281	766	1,047
Provisions made during the year	36	24	60
Provisions used during the year	(43)	(3)	(46)
<b>Balance at 31 March 2017</b>	<b>274</b>	<b>787</b>	<b>1,061</b>
Non-current	-	-	-
Current	274	787	1,061
	<b>274</b>	<b>787</b>	<b>1,061</b>

Deferred tax provision arising from timing differences in corporation tax calculation.

Remedial provisions relate to product warranties on timber windows (up to 30-year warranty on paint, timber and glass) and composite decking products (25-year warranty).

### 20 Capital and reserves

#### Share capital

	Ordinary shares	
	2017 No.	2016 No.
On issue at 1 April 2016	1,582	1,582
On issue at 31 March – fully paid	1,582	1,582
	<b>2017 £000</b>	<b>2016 £000</b>
Allotted, called up and fully paid Ordinary shares of £1 each	2	2
	<b>2</b>	<b>2</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (*continued*)

**20 Capital and reserves** (*continued*)

*Dividends*

The following dividends were recognised during the period:

	2017 £000	2016 £000
£nil (2016: £95) per qualifying ordinary share	-	450
	<hr/>	<hr/>
	-	450
	<hr/>	<hr/>

After the balance sheet date dividends of £nil per qualifying ordinary share (2016: £nil) were proposed by the directors. The dividends have not been provided for.

## Notes (continued)

### 21 Financial instruments

#### 21 (a) Fair values

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	2017	2017	2016	2016
	£000	£000	£000	£000
<b>Loans and receivables</b>				
Trade and other receivables	37,760	37,760	33,259	33,259
Other loans and receivables	29,190	29,190	26,418	26,418
Total loans and receivables	36,759	36,759	33,259	33,259
Total financial assets	36,759	36,759	33,259	33,259
	Carrying amount	Fair value	Carrying amount	Fair value
	2017	2017	2016	2016
	£000	£000	£000	£000
<b>Financial liabilities measured at amortised cost</b>				
Other interest-bearing loans and borrowings	13,445	13,445	11,070	11,070
Trade and other payables	37,823	37,823	30,047	30,047
Total financial liabilities measured at amortised cost	51,268	51,268	41,117	41,117
Total financial liabilities	51,268	51,268	41,117	41,117

## Notes (continued)

### 21 Financial instruments (continued)

#### 21 (b) Credit risk

##### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group actively manages its debtor book and credit insures all sales debt to minimise the risk of bad debt. As such, all accounts are reviewed at least annually to ensure that we are trading with customers who are able to pay. However, bad debts are however provided for if it appears likely that a debtor will not be able to meet its contractual obligation to pay.

##### Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2017 £000	Impairment 2017 £000	Gross 2016 £000	Impairment 2016 £000
Not past due	19,871	-	15,446	-
Past due [0-30 days]	9,810	-	9,523	-
Past due [31-120 days]	1,102	-	1,554	-
More than 120 days	493	215	564	286
	<u>31,276</u>	<u>215</u>	<u>27,087</u>	<u>286</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 £000	2016 £000
Balance at 1 April	286	221
Impairment loss recognised	(269)	(207)
Impairment loss released	198	272
	<u>215</u>	<u>286</u>
Balance at 31 March		



## Notes (continued)

### 21 Financial instruments (continued)

#### 21 (c) Liquidity risk

*Financial risk management* Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity primarily through the use of a fixed overdraft (reviewed annually) and a Revolving Cash Facility (RCF) with a 4-year term. With the business generating strong cash flow through profits in recent years, the management of cash and liquidity has been achieved with good cash forecasting and clear visibility of capital expenditure plans within the Group. Profit and cash forecasting for the current financial year are updated monthly and an annual 3-year planning process is undertaken to ensure we have both short term and medium term view of cash requirements. A good working relationship with HSBC means we have flexibility with asset financing options to complement the more permanent facilities we have available.

## Notes (continued)

### 21 Financial instruments (continued)

#### 21 (c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	1 year or less £000	1 to < 2 years £000	2 to < 5 years £000	5 years and over £000
<b>Non-derivative financial liabilities</b>					
Secured bank loans	10,045	-	-	7,500	2,545
Finance lease liabilities	3,400	1,598	1,802	-	-
Trade and other payables*	37,683	37,683	-	-	-

	Carrying amount £000	1 year or less £000	2016 1 to < 2 years £000	2 to < 5 years £000	5 years and Over £000
<b>Non-derivative financial liabilities</b>					
Secured bank loans	8,144	-	-	7,500	644
Finance lease liabilities	2,926	1,522	1,404	-	-
Trade and other payables*	30,057	30,057	-	-	-

#### 21 (d) Market risk

##### Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

The performance of the Group is, like most businesses, reliant to a degree on the general state of the economy, although with difference elements of the Group trading in different parts of the market, this risk is to a degree mitigated. The directors of the business monitor the sales performance of all parts of the Group and actively manage costs regardless of the performance of the business.

The Group does import raw material from abroad and therefore is also at risk from exchange rate movement and has a policy of, where appropriate, buying forward at least 50% of currency requirements to provide certainty on input prices.

The Group is also exposed to interest rate risk with regard to its borrowings but by taking out fixed rate finance leases, this risk is mitigated to a degree. In terms of the Rolling Cash Facility, the Group does have an interest rate cap at 5% to protect against a fundamental increase in interest rates.

## Notes (continued)

### 21 Financial instruments (continued)

#### 21 (d) Market risk (continued)

##### Market risk - Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

#### 31 March 2017

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	5,103	207	42	5,352
Trade receivables	36,760	-	-	36,760
Secured bank loans	(13,446)	-	-	(13,446)
Trade payables	(36,878)	(230)	(575)	(37,683)
Balance sheet exposure	(8,461)	(23)	(533)	(9,017)
Estimated forecast sales	205,000	-	-	205,000
Estimated forecast purchases	(129,450)	(7,000)	(5,000)	(141,450)
Net exposure	67,089	(7,023)	(5,533)	54,533

#### 31 March 2016

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	3,000	46	126	3,172
Trade receivables	33,259	-	-	33,259
Secured bank loans	(11,070)	-	-	(11,070)
Trade payables	(29,508)	(549)	-	(30,057)
Balance sheet exposure	(4,319)	(503)	126	(4,696)
Estimated forecast sales	190,000	-	-	190,000
Estimated forecast purchases	(116,000)	(6,000)	(3,000)	(125,000)
Net exposure	69,681	(6,503)	(2,874)	60,304

## Notes (continued)

### 21 Financial instruments (continued)

#### 21 (d) Market risk (continued)

##### Market risk – Interest rate risk

##### Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was

	2017 £000	2016 £000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	5,391	2,926
	<u>5,391</u>	<u>2,926</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	8,064	8,144
	<u>13,455</u>	<u>11,070</u>

### 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	742	809
Between one and five years	2,830	2,937
More than five years	7,578	12,642
	<u>11,150</u>	<u>16,388</u>

During the year £560,313 was recognised as an expense in the income statement in respect of operating leases (2016: £791,517).

During the year £225,207 (2016: £200,186) was recognised as rental income by the Group.

## Notes (continued)

### 23 Commitments

#### *Capital commitments*

During the year ended 31<sup>st</sup> March 2017, the Group entered into a contract to purchase property, plant and equipment for £18k (2016: £1,828k).

### 24 Contingencies

The company and fellow subsidiary undertakings are party to unlimited multilateral company guaranteed to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary understanding at 31 March 2017 amounted to £4,693,531 (2016: £4,971,659).

### 25 Related parties

#### *Identity of related parties with which the Group has transacted*

All subsidiaries trade with other subsidiary companies on an arm's length basis with regard to normal trading activities and some staff are recharged to sister companies on a work done basis. Aside from this, there were no related transactions made during the year. For the purpose of this note, related parties include all Directors within the Group, including subsidiary companies.

#### *Transactions with key management personnel*

Directors of the Company and their immediate relatives control 100% per cent of the voting shares of the Company.

The compensation of key management personnel (key management personnel directors) is as follows:

	2017 £000	2016 £000
Key management remuneration including social security costs	1,507	1,462
Company contributions to money purchase pension schemes	34	23
	<u>1,541</u>	<u>1,485</u>

#### *Other related party transactions*

The Group has taken advantage of the exemptions contained within IAS 24 'Related Party Disclosures' from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

## Notes (continued)

### 26 Accounting estimates and judgements

As a rule, the business sees no reason why any of the current assets and liabilities will not be received or paid at the value stated given their short term nature and the stability of the economy. The only area of genuine uncertainty would be with the ongoing pension liability which is valued under IAS19 on an annual basis.

The calculated pension liability is based on a number of actuarial assumptions which are both uncertain in the long term and sensitive to the ultimate calculation. The Board, along with the trustees of the pension scheme regularly review the performance of the assets and discuss ways in which returns can be increased or volatility reduced whilst at the same time looking at how the liabilities of the scheme can be minimised through member commutations or buy-outs. The assumptions used in calculating the pension liability are set out in note 19.

Accounting judgements are based on prudence and follow recommended accounting practises. Goodwill has arisen on two acquisitions in the financial year and the goodwill is carried at purchase price less net asset value acquired. As at 31<sup>st</sup> March 2017, there was no reason to reduce the amount of goodwill held in the balance sheet.

Whilst the directors are confident that there are no material judgements that are likely to affect the accuracy of the accounts, a judgement has been made on the quantum of a warranty provision within the Howarth Timber Windows & Doors business. A provision has been made against current and future claims against warranties for paint, timber and glass within the product, the longest of which has a 30-year life.

#### *Recoverability of certain assets/impairment calculations*

There have been no assumptions as to recoverability of assets or size of liabilities beyond those set out in note 1 with regard to the preparation of these accounts. The directors believe that all assets are fully recoverable as at 31<sup>st</sup> March 2017 and all liabilities are recorded at the amount which we expected to pay at that date.

#### *Pension assumption*

The directors take advice from pension advisors when setting assumptions for use on the pension valuations and feel that the assumptions used are prudent where necessary but not to the detriment of the scheme results. These assumptions are reviewed annually and changes made as appropriate.

#### *Critical accounting judgements in applying the Group's accounting policies*

A judgement has been made on the quantum of a warranty provision in the balance sheet. A provision has been made against current and future claims against warranties for paint, timber and glass within the product, the longest of which has a 30-year life.

#### *Finance and operating leases*

Finance leases are generally contracted at fixed interest rate terms and as such can be easily priced.

#### *Sales of goods*

All debts arising from the sales of goods are recognised at face value and bad debts provisions made as appropriate. Sales value is recognised at face value at the time of the sale.

#### *Fair value*

The primary intangible recorded in the balance sheet is goodwill and this was all acquired during the 2016/16 financial year and as a result, the directors feel that the justification for the goodwill is still valid and therefore should be recorded at full purchase price.

## Company Balance Sheet at 31 March 2017

	Note	2017 £000	2016 £000	2016 £000
<b>Fixed assets</b>				
Tangible assets	30	496	581	
Intangible assets – Software		96	136	
Investments	32	2,885	2,885	
Investment properties	31	15,978	16,795	
			<u>19,455</u>	<u>20,397</u>
<b>Current assets</b>				
Debtors (including £604k (2016: £nil) due after more than one year)	33	3,892	4,385	
Cash at bank and in hand		3,862	-	
		<u>7,754</u>	<u>4,385</u>	
<b>Creditors: amounts falling due within one year</b>	34	<u>(7,273)</u>	<u>(4,381)</u>	
<b>Net current assets</b>			<u>481</u>	<u>4</u>
<b>Total assets less current liabilities</b>			<u>19,936</u>	<u>20,401</u>
<b>Creditors: amounts falling due after more than one year</b>	35	(7,500)	(7,500)	
<b>Provisions for liabilities</b>				
Deferred tax liability	37	(117)	(129)	
Pension liability	42	(2,513)	(3,467)	
			<u>(2,630)</u>	<u>(3,596)</u>
<b>Net assets</b>			<u>9,806</u>	<u>9,305</u>
<b>Capital and reserves</b>				
Called up share capital	38	2	2	
Share premium account	38	407	407	
Capital redemption reserve	38	192	192	
Profit and loss account		9,205	8,704	
<b>Shareholders' funds</b>			<u>9,806</u>	<u>9,305</u>

These financial statements were approved by the board of directors on 25<sup>th</sup> August 2017 and were signed on its behalf by:



**A P Howarth**  
Director

Company registered number: 67025

## Company Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Capital Redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	2	407	192	8,454	9,055
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	(279)	279
Other comprehensive income	-	-	-	979	979
<b>Total comprehensive income for the period</b>	-	-	-	700	700
Dividends	-	-	-	(450)	(450)
<b>Total contributions by and distributions to owners</b>	-	-	-	(450)	(450)
<b>Balance at 31 March 2016</b>	<b>2</b>	<b>407</b>	<b>192</b>	<b>8,704</b>	<b>9,305</b>

	Called up share capital £000	Share Premium Account £000	Capital Redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	2	407	192	8,704	9,305
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	(290)	(290)
Other comprehensive income	-	-	-	791	791
<b>Total comprehensive income for the period</b>	-	-	-	591	591
Transactions with owners, recorded directly in equity	-	-	-	-	-
Dividends	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>2</b>	<b>407</b>	<b>192</b>	<b>9,205</b>	<b>9,806</b>



## Notes

*(forming part of the financial statements)*

### 27 Accounting policies

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

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to [date/transition date] have not been restated.
- Fair value or revaluation as deemed cost – At 1 April 2014, fair value has been used as deemed cost for properties previously measured at fair value.
- Employee benefits Note: Only if the IAS 19(R) corridor approach is adopted – All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 April 2014

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets];
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and

## Notes (continued)

### 27 Accounting policies (continued)

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note

#### 27.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss. Non-current assets and disposal Groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 27.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 27.3 Tangible fixed assets

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 April 2014, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 7 years
- fixtures and fittings 4 years
- Commercial Vehicles 7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Buildings are depreciated at 4% p.a. using a reducing balance method.

## Notes (continued)

### 27 Accounting policies (continued)

#### 27.4 Impairment excluding stocks, and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 27.5 Leases

#### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

#### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## Notes (continued)

### 27 Accounting policies (continued)

#### 27.6 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

## Notes (continued)

### 27 Accounting policies (continued)

#### *Defined benefit plans (continued)*

The Company is the sponsoring employer of a Group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

#### 27.7 *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.

##### *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.

##### *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.

##### *Investments in debt and equity securities*

Investments are stated at amortised cost less impairment.

##### *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.

#### 27.8 *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 27.9 *Turnover*

Howarth Timber Group is a holding company only and as such there is no turnover within the business.

#### 27.10 *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes (continued)

### 28 Remuneration of directors

	2017 £000	2016 £000
Directors' remuneration	939	951
Company contributions to money purchase pension plans	12	8
	<u>951</u>	<u>959</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £414,517 (2016: £412,857), and Company pension contributions of £nil (2016: £nil) were made to a money purchase scheme on his behalf. The director is not a member of a defined benefit scheme.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:	3	3
Money purchase schemes	3	3
Defined benefit schemes	-	-
	<u>3</u>	<u>3</u>

There are no directors' advances, credits or guarantees as at 31<sup>st</sup> March 2017.

### 29 Dividends

The following dividends were recognised during the period:

	2017 £000	2016 £000
£nil (2016: £284.45) per qualifying ordinary share	-	450
	<u>-</u>	<u>450</u>

After the balance sheet date dividends of £nil per qualifying ordinary share (2016: £nil) were proposed by the directors. The dividends have not been provided for.

## Notes (continued)

### 30 Tangible fixed assets

	Fixtures & fittings £000	Total £000
<b>Cost</b>		
Balance at 1 April 2016	1,282	1,282
Additions	173	173
Disposals	(17)	(17)
	<hr/>	<hr/>
Balance at 31 March 2017	1,438	1,438
	<hr/>	<hr/>
<b>Depreciation and impairment</b>		
Balance at 1 April 2016	699	699
Depreciation charge for the year	260	260
Disposals	(17)	(17)
	<hr/>	<hr/>
Balance at 31 March 2017	942	942
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 April 2016	581	581
	<hr/>	<hr/>
At 31 March 2017	496	496
	<hr/>	<hr/>

#### Leased plant and machinery

At 31<sup>st</sup> March 2017, the net carrying amount of leased plant and machinery was £71,641 (2016: £96,315).

*Security:* Leased assets are secured against the asset itself.

### 31 Investment Properties

	Investment Properties £000
<b>Cost</b>	
Balance at 1 April 2016	27,819
Additions	1,571
Transfer to Group undertakings	(2,376)
Disposals	-
	<hr/>
Balance at 31 March 2017	27,014
	<hr/>
<b>Depreciation and impairment</b>	
Balance at 1 April 2016	11,025
Depreciation charge for the year	607
Transfer to Group undertakings	(584)
Disposals	(12)
	<hr/>
Balance at 31 March 2017	11,036
	<hr/>
<b>Net book value</b>	
At 1 April 2016	16,795
	<hr/>
At 31 March 2017	15,978
	<hr/>

**Notes (continued)**

**32 Fixed asset investments**

	Shares in Group undertakings £000	Loans £000	Total £000
<i>Cost</i>			
At beginning and end of year	5,936	1,250	7,186
<i>Provisions</i>			
At beginning and end of year	4,301	-	(4,301)
<i>Net book value</i>			
At 31 March 2017	1,635	1,250	2,885
At 1 April 2016	1,635	1,250	2,885



## Notes (continued)

### 33 Debtors

	2017 £000	2016 £000
Trade debtors	15	16
Amounts owed by Group undertakings	1,903	2,355
Other debtors	185	214
Prepayments and accrued income	149	189
Corporation tax payment on account	1,036	845
Deferred tax asset	604	766
	<u>3,892</u>	<u>4,385</u>
Due within one year	3,288	4,385
Due after more than one year	604	-

Amounts owed to Howarth Timber Group Limited treated as current are unsecured, have no fixed date of repayment and are repayable on demand.

### 34 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	-	3,316
Trade creditors	576	210
Amounts owed to Group undertakings	5,668	-
Taxation and social security	397	408
Other creditors	132	31
Obligations under finance leases	30	50
Accruals and deferred income	367	269
Corporation tax	103	97
	<u>7,273</u>	<u>4,381</u>

Amounts owed by Howarth Timber Group Limited treated as current are unsecured, have no fixed date of repayment and are repayable on demand.

### 35 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Bank loans and overdrafts	7,500	7,500
	<u>7,500</u>	<u>7,500</u>

Included with bank loans and overdrafts are amounts repayable after five years by instalments and otherwise than by instalments include £nil (2016: £nil) and £nil (2016: £nil) respectively.

Interest is charged on an 'as used' basis at 1.75%. If the facility is not used, there is a non-utilisation charge of 0.70%. The loan is secured against the assets of the business.

## Notes (continued)

### 36 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017 £000	2016 £000
<b>Creditors falling due more than one year</b>		
Secured bank loans	7,500	7,500
	<u>7,500</u>	<u>7,500</u>
<b>Creditors falling due within less than one year</b>		
Finance lease liabilities	30	50
	<u>30</u>	<u>50</u>

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017 £000	Carrying amount 2017 £000	Face value 2016 £000	Carrying amount 2016 £000
Bank loan	GBP	2.1	2019	7,500	7,500	7,500	7,500
				<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Interest 2017 £000	Principal 2017 £000	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000
Less than one year	30	1	29	50	2	48
	<u>30</u>	<u>1</u>	<u>29</u>	<u>50</u>	<u>2</u>	<u>48</u>

## Notes (continued)

### 37 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Tangible fixed assets	-	-	117	129	117	129
Employee benefits	(364)	(766)	-	-	(364)	(766)
Tax (assets) / liabilities	(364)	(766)	117	129	(247)	(637)
Net of tax liabilities/(assets)	-	-	-	-	-	-
Net tax (assets) / liabilities	(364)	(766)	117	226	(247)	(637)

#### Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Tangible fixed assets	129	(12)	-	117
Employee benefits	(766)	-	402	(364)
	(637)	(12)	402	(247)

#### Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Tangible fixed assets	170	(41)	-	129
Employee benefits	(1,047)	-	281	(766)
	(877)	(41)	281	(637)

## Notes (continued)

### 38 Called up share capital

#### Share capital

	Ordinary shares 2017	
In thousands of shares		
On issue at 1 April 2016	2	
	<hr/>	
On issue at 31 March 2017 – fully paid	2	
	<hr/>	
	2017	2016
	£000	£000
Shares classified in shareholders' funds	2	2
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 39 Contingent liabilities

The Company has guaranteed the overdrafts of its subsidiaries; the amount outstanding at the year-end was £4,693,531 (2016: £4,971,659).

### 40 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	30	50
	<hr/>	<hr/>
	30	50
	<hr/>	<hr/>

During the year £19,013 (2016: £5,792) was recognised as rental income by the Company.

### 41 Commitments

#### Capital commitments

During the year ended 31 March 2017, the Company entered into contracts to purchase property, plant and equipment for £nil (2016: £nil). These commitments are expected to be settled in the following financial year.

## Notes (continued)

### 42 Employee benefits

The revision of IAS 19 during the year required the company to make the following disclosures:

- (a) The key elements of the company defined benefit plans, including:
- (i) the nature of the benefits provided by the plan (e.g. final salary defined benefit plan or contribution-based plan with guarantee). The company has previously operated a defined benefit pension scheme. The scheme closed to both new entrants and continuing contributions by existing members in 2008.
  - (ii) a description of the regulatory framework in which the plan operates, for example the level of any minimum funding requirements, and any effect of the regulatory framework on the plan, such as the asset ceiling (see paragraph 64). The scheme complies with all current regulations and is due to have its latest tri-annual valuation as at 31<sup>st</sup> March 2017. The company currently makes deficit funding contributions of £500k p.a.
  - (iii) a description of any other entity's responsibilities for the governance of the plan, for example responsibilities of trustees or of board members of the plan. The scheme is overseen by a board of Trustees who monitor the performance of the scheme in relation to actuarial liabilities. The Trustee board is comprised of both scheme members and company representatives.
- (b) a description of the risks to which the plan exposes the entity, focused on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk. For example, if plan assets are invested primarily in one class of investments, eg property, the plan may expose the entity to a concentration of property market risk. The scheme has a relatively high proportion of equity based assets which have performed well over the last 4 years but which could expose the scheme to higher levels of risk in a downturn. However, due to a relatively small deficit, the trustees feel this is currently a positive strategy, although more conservative strategies are continually reviewed.
- (c) a description of any plan amendments, curtailments and settlements. The scheme has recently undergone a Flexible Apportionment Arrangement meaning that the Parent Company is now responsible for all scheme members. However, under guarantees put in place, subsidiary companies still have responsibility for the members previously employed by that subsidiary should the Group be unable to meet its financial commitments to the scheme.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

	2017 £000	2016 £000
Defined benefit asset	21,423	17,688
Total defined benefit asset	21,423	17,688
Total defined benefit liability	(23,936)	(21,155)
Net liability for defined benefit obligations (see following table)	(2,513)	(3,467)
Total employee benefits	(2,513)	(3,467)

#### 43 Employee benefits (continued)

##### *Movements in net defined benefit liability/asset*

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	21,155	23,423	17,688	18,695	3,467	4,728
<b>Included in profit or loss*</b>						
Current service cost	46	102	-	-	46	102
Interest cost	743	754	628	605	115	149
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Included in OCI*</b>						
Remeasurements loss/(gain):	-	-	3,620	(865)	(3,620)	865
Actuarial loss (gain) arising from	(336)	(709)	-	-	(336)	(709)
- Change in financial assumptions	3,387	(1,146)	-	-	3,387	(1,146)
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Other</b>						
Contributions paid by the employer	-	-	546	522	(546)	(522)
Benefits paid	(1,059)	(1,268)	(1,059)	(1,269)	-	-
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Balance at 31 March 2017</b>	<b>23,936</b>	<b>21,155</b>	<b>21,423</b>	<b>17,688</b>	<b>2,513</b>	<b>3,467</b>
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Plan assets</b>						
				2017	2016	
				£000	£000	
Cash and cash equivalents				25	28	
Equity instruments				17,557	13,926	
Debt instruments e.g. Government bonds				<u>3,841</u>	<u>3,734</u>	
				<u>      </u>	<u>      </u>	
<b>Total</b>				<b>21,423</b>	<b>17,688</b>	
				<u>      </u>	<u>      </u>	

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

## Notes (continued)

### 44 Employee benefits (continued)

#### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2017	2016
Discount rate at 31 March	2.6%	3.6%
Future salary increases	2.6%	2.3%
Future pension increases	2.5%	2.5%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.5 years (male), 24.6 years (female).
- Future retiree upon reaching 65: 24.7 years (male), 26.9 years (female).

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2017	2016
	£000	£000
Discount rate	4,308	3,808
Inflation (RPI, CPI)	2,777	2,623

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2017 would have increased by £622k before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31<sup>st</sup> March 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

#### Funding

The Company expects to pay £500k in contributions to its defined benefit plans in 2017/18. The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years (2016: 18 years).

#### Defined contribution plans

The Company operates two defined contribution pension plans.

The total expense relating to these plans in the current year was £48,231 (2016: £44,823)

**Notes** *(continued)*

**45 Related party disclosures**

*Identity of related parties with which the Company has transacted*

	Receivables outstanding		Creditors outstanding	
	2017 £000	2016 £000	2017 £000	2016 £000
Subsidiaries	1,903	2,640	(5,668)	(286)
	<u>1,903</u>	<u>2,640</u>	<u>(5,668)</u>	<u>(286)</u>