

Company Registration Number 00067025

HOWARTH TIMBER GROUP LIMITED
FINANCIAL STATEMENTS
31 MARCH 2022

ArmstrongWatson[®]
Accountants, Business & Financial Advisers

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HOWARTH TIMBER GROUP LIMITED

COMPANY INFORMATION

Directors	A P Howarth D J Howarth J A Howarth N D Howarth A P Turner
Company secretary	N D Howarth
Registered number	00067025
Registered office	Prince Edward Works Pontefract Lane Leeds West Yorkshire LS9 0RA
Independent auditor	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors Third Floor 10 South Parade Leeds West Yorkshire LS1 5QS
Bankers	HSBC Bank PO Box 105 33 Park Row Leeds LS1 1LD

HOWARTH TIMBER GROUP LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 4
Directors' Report	5 - 8
Directors' Responsibilities Statement	9
Independent Auditor's Report	10 - 13
Consolidated Statement of Comprehensive Income	14
Consolidated Balance Sheet	15
Company Balance Sheet	16
Consolidated Statement of Changes in Equity	17 - 18
Company Statement of Changes in Equity	19 - 20
Consolidated Statement of Cash Flows	21 - 22
Analysis of Net Debt	23
Notes to the Financial Statements	24 - 59

HOWARTH TIMBER GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The directors present the annual Strategic report for Howarth Timber Group for year ended 31 March 2022.

Principal activities and business review

The Company's principal activity is that of a holding company. The Group's business activities include: the import and sale of timber products; retail of timber and building supplies via merchant branches; and manufacture of 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. Each of the Group entities operate autonomously, with separate management teams.

Howarth Timber & Building Supplies Limited operates a Merchant network of 34 branches. This business purchases products competitively through industry buying Groups and sells 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.

Arbor Forest Products Limited imports and processes timber products and has a reputation for quality product and a reliable distribution service meaning it is one of the leading distributors of timber, decking and associated products into the Merchant market place in the country. With facilities located adjacent to the Groups port facilities, run by New Holland Docks (Wharfingers) Ltd, it is able to control the import of timber products, and then via processing activities adds value before distributing product to the merchants across the UK and other industrial end users of timber products. As the market continues to evolve, approximately 75% of raw material is now treated or machined prior to resale. New Holland Dock, in addition to providing dock services to Arbor Forest Products, provides docking and storage services for other third parties.

Howarth Timber Engineered Solutions Limited manufactures Trusses and I-Beams and other related components, adding value through the manufacture process. This business sells into the new house build market and deals with house builders ranging in size from local builders through to national house builders.

Overall performance

The Group has had an excellent year. The year started extremely well, with high demand from both trade and retail customers. The 2021 landscaping season was particularly strong, with continuing spend on outdoor spaces, due to uncertainty over foreign travel and the remaining covid restrictions. This led to increased demand on both Arbor Forest Products and the Merchant network in the first quarter. With the strength of the housing market, we also saw an improvement in businesses supplying the national and regional house builders both at our Engineered Solutions business and in the merchants. The other large factor, leading to higher turnover and profitability has been the inflationary impacts of both timber and building materials. This has led to higher sales, and margin increases due to our stock holdings held. On timber we did see deflation in the second half of the year on commodity-based products, leading to a dip in margin, but other general building products and manufactured timber products have seen further increases driven primarily by the significant increase in energy costs and more general inflation.

Group revenue has increased by 36% to £337.3m (2021: £247.8m), with a large proportion of this been reflective of product inflation. Operating profit from continuing operations has increased by 71% to £40.9m (2021: £23.9m) reflecting revenue growth, increased efficiency on the back of this volume, full year performance of our Engineered Solutions business which was more severely impacted by Covid in the prior year and better management of margin across the group.

The Group has further invested during the year, new storage facilities on a 10 acre site adjacent to the existing New Holland site to provide additional storage for both the Arbor Forest Products and the New Holland Dock businesses was completed during the year and Howarth Timber and Buildings Supplies acquired a new business, Boards Cottingham Limited, which will added a further merchant branch during the year.

HOWARTH TIMBER GROUP LIMITED
GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

The Board is confident that planned investments for 2022/23 will go ahead to provide further opportunities to strengthen the business for the future. The Group had a cash inflow of £24.7m from operations during the year (2021: £21.6m), invested £10.3m (2021: £10.0m) in capital expenditure, and the Group increased net funds position to £27.2m (2021: £11.5m).

Divisional performance

The merchant business represented 42% of total Group turnover during the year. Turnover at the timber and building supplies business increased 23% during the year to £140.4m (2021: £113.8m) and operating profit increased to £7.0m (2021: £3.8m). The year started strongly, with high demand from both retail and trade customers, and a strong landscaping season due to the continued Covid restrictions. Product price inflation across the majority of product categories has also led to an increase in turnover with gross margin percentages held at similar levels. During the year, the company acquired the entire share capital of Boards (Cottingham) Limited which commenced trading as Howarth Timber & Building Supplies Cottingham from 1 April 2022. The management team continues to work closely with branches to continue to improve performance, with regards to sales, gross margin and operating profit.

Arbor Forest Products Limited represented 48% of total group turnover during the year. It saw turnover increase by 37% year on year to £171.7m, up from £125.7m in 2021, driven largely by high timber price inflation. Operating profit increased to £29.5m (2021: £17.8m) on the back of higher turnover, due to increased efficiency in the first part of the year and control of cost base. Timber prices increased rapidly during the first quarter of the year and then started declining after the summer. After the invasion of Ukraine, we did see a temporary increase in prices. Commodity timber prices have seen large deflation in the first half of the financial year 2022/23, and reduced volumes, as a result of a soft landscaping season and to some degree merchants destocking in the deflationary market. The site is continuing to invest in production facilities and the business is in a strong position to continue to grow volume and added value product streams in the future.

Howarth Timber Engineered Solutions, the Truss & I-Beam business, saw turnover increase by 87% to £31.4m (2021: £16.8m). The prior year turnover was severely impacted by Covid, whereas in the current year demand has been high with customer sites operating at capacity and also an increase due to product price inflation. Operating profit increased by £2.3m to £3.0m (2021: £0.7m) reflecting the increase in trading during the year.

The New Holland Dock Company operating the Group's docking facility saw revenues decrease to £3.1m (2021: £3.4m) and reported a fall in operating profit of £0.6m (2021: £0.8m) as a result of this reduction in revenue and the relatively fixed overhead base of the business.

Future prospects

On the back of a very good trading year, the Group is in a strong financial position to take the business forward. The current year does hold more uncertainty, with rising energy costs, interest rate increases, the war in Ukraine and high general inflation leading to more uncertainty over general economic spending and longer term impacts on the housing market. The Group is well placed to manage these challenges, with a strong balance sheet and liquidity. Each business within the Group closely monitors market conditions and is able to adapt to challenges that they face.

Howarth Timber Group continues to look for new investment opportunities and once again have a positive capital expansion program in 2022-23 that should allow for the continued profitable growth of all business units in the Group. Capital funds have been set aside within the 2023 budget to ensure these opportunities can be grasped and this comes on the back of considerable investment over the last 4 years which will underpin the performance of the Group over the coming 12 months and beyond. Investment will continue in existing sites with a view to improving both efficiency in production, capacity and the expansion of the merchant network. 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.

HOWARTH TIMBER GROUP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Financial key performance indicators

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

	2022	2021	Measure
Financial			
Return on capital	0.34	0.26	Profit before tax/net assets
Current ratio	2.45	2.01	Current assets/current liabilities
Stock turnover	8.00	7.70	Turnover/stock
Days debtors	54.9	63.8	Trade debtors/ turnover x 365
Sales per employee (£000)	359	273	Turnover/average number of employees
Operating profit per employee (£000)	43.52	26.50	Operating profit/average number of employees

The above ratios reflect the good performance of the business in the year, with all ratios, except stock turnover seeing improvement. The ratios also demonstrate the underlying strength of the balance sheet. 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.

Directors' statement of compliance with duty to promote the success of the Group and Company

The directors have an obligation to act in accordance with the duties set out in section 172 of the Companies Act 2006. This states that they must act in the way they consider, in good faith, would be most likely to promote the success of the Group and Company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term
- the interests of the Group and Company's employees
- the need to foster the Group and Company's business relationships with suppliers, customers and others
- the impact of the Group and Company's operations on the community and environment
- the desirability of the Group and Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between shareholders of the Group and Company

The directors consider that they have acted in accordance with their duties under s.172 and this is disclosed in the Directors' report.

Principal risks and uncertainties

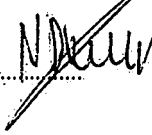
The principal risks and uncertainties affecting the business include the following:

- **Foreign currency exchange:** the Group closely monitors 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 Europe and decking from the US, 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.
- **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.
- **Economic risk:** The current increase in energy costs, high inflation and economic outlook could impact future demand. The new housing market is forecast to remain stable, but this could change due to higher interest rates and the current cost of living crisis. The group monitors the impact of this.

HOWARTH TIMBER GROUP LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

The report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N D Howarth', is written over a dotted line.

N D Howarth
Director

Date: 27 October 2022

HOWARTH TIMBER GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Results and dividends

The profit for the year, after taxation, amounted to £32,516,000 (2021 - £18,854,000).

Dividends of £4,790,000 (2021: £2,800,000) were paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year and up to the date of the report:

A P Howarth
D J Howarth
J A Howarth
N D Howarth
A P Turner

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Group has a strong balance sheet with total assets of £179.6m, net assets of £119.3m, net current assets of £76m, and net funds of £26.3m as at the 31 March 2022. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report & Financial Statements. This area is also covered the notes to the financial statements, see section 2.3 in the accounting policies section.

Business Conduct and Decision Making

The Group operates its business in line with laws and regulations, and decisions are taken to ensure that the business can continue in sustainable growth in future years. Group board meetings are held quarterly to discuss key strategic matters and the Group has appointed one non-executive Director in order to both challenge and assist the Executive Board and provide a link to the family shareholders.

HOWARTH TIMBER GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

S172 Companies Act 2006

The directors consider that they have acted in accordance with their duties under s.172 and the following summarises how these duties have been fulfilled:

Who	How we promote	Outcomes
Suppliers	<p>Each group company has a different supplier base and manage this accordingly. Within Howarth Timber & Building Supplies, we are a key member of the Fortis buying Group, with the majority of stock purchases made via Fortis. This not only provides access to better pricing, but also promotes longer term supplier relationships and focus by key members of the buying group on each category, with regular meetings and discussions between these.</p> <p>Other businesses foster long term relationships with suppliers, to ensure we have strong ongoing trading relationships, and also ensuring that the risk of any key supplier failure is reduced by having more than one option for supply.</p>	The Group has a wide and stable supplier base, leading to the ability to source product when required.
Employees	The Group recognises that its employees are key to the ongoing success of the business and regularly engages with employees, via company newsletters, company briefings, and engagement surveys. Reward and recognition schemes have been rolled out over previous financial years and further development of employee engagement activity is ongoing.	Employee engagement and satisfaction is improving which is measured via employee surveys.
Customers	<p>Our customer base across the Group ranges from retail customers to large private and public companies, with many other smaller trades people and businesses in-between.</p> <p>Each business recognises the importance of their customer base, with a focus on delivering products and services to the variety of customers to address their needs. This ranges from a B2C and B2B websites for trading within the Merchants, to fostering longer term supply agreements with buying groups and other business within the timber supply and manufacturing businesses.</p>	Overall, the key customer base for key customers has remained stable over the last year.
Environment	The Group has an environmental policy, and all timber is sourced from accredited suppliers with Chain of Custody procedures in place to ensure these materials meet the Government and C.P.E.T. (Central Point of Expertise in Timber) policy and guidelines on sustainable forest management practices are obtained from legal and sustainable forest sources.	The Group can be confident that goods are sourced from sustainable sources.
Shareholders	As a private company, shareholders are actively involved within the business and receive regular updates regarding the execution of business strategy, performance and financial position of the Group.	This ensures the business remains on track to achieve its targets.

HOWARTH TIMBER GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Greenhouse gas emissions, energy consumption and energy efficiency action

Streamlined Energy and Carbon Reporting ("SECR")

SECR reporting aims to encourage the implementation of energy efficient measures in order to reduce emissions. Often these energy efficient measures also have economic benefits for the business.

		Year ended 31 March	
		2022	2021
Energy Consumption (kWh)	Gas (Scope 1)	879,073	850,233
	Other Fuels (Scope 1)	467,231	213,616
	Electricity (Scope 2)	9,282,117	9,635,395
	Transport Fuel (Scope 1 - Company Fleet)	20,444,088	16,989,904
	Total	31,072,509	27,689,147
Emissions (tCO ₂ e)	Gas (Scope 1)	160	156
	Other Fuels (Scope 1)	120	65
	Electricity (Scope 2)	1,795	2,046
	Transmission & Distribution (Scope 3)	164	
	Transport Fuel (Scope 1 - Company Fleet)	5,003	4,658
	Total (All Scopes)	7,243	6,924

Intensity Ratio

Due to the diverse range of services carried out by the Group, ranging from timber processing and manufacture, importing and timber and building supply merchanting, the intensity metric of kg CO₂e per turnover was chosen.

	2022	2021
Normalisation metric	337,347,000	247,775,000
Intensity Ratio	0.02147	0.03169

Methodology

The methodology follows best practice and is based on HM Government Environmental Reporting Guidelines March 2019. All emissions factors are taken from UK Government GHG Conversion Factors for Company Reporting, version 1.0, 2022 factors. Scope 1 and 2 consumption data (gas and electricity) is taken from validated and verified utility suppliers invoices. Scope 1 and 3 (transport) data is taken from internal tracking systems, and applicable emissions factors applied; Company fleet classed as scope 1 emissions as defined by HM Government Environmental Reporting Guidelines March 2019.

Energy Efficiency Action Plan

The Group has implemented and is taking action to reduce energy use as follows:

- Installation of energy monitoring system (clearvue) on main site completed.
- Company cars continue to be replaced by hybrid and EV vehicles where possible
- Increased use of video conferencing to reduce travel to meetings
- Installation of PV panels for freehold sites. One site was completed in the year, with a plan for a further installations over the second half of the financial year ending 31 March 2023.
- Continue to look at the feasibility of installing a wind turbine on the main site at New Holland.
- Optimisation of air/dust extraction (DESA) on planning machines – completed in main sawmill
- Trials of electric sideloaders have continued. There are realistic electrical replacements of diesel now available that will feature strongly in replacement purchases. Forklift replacements are generally electric.

HOWARTH TIMBER GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

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

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.


Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 October 2022 and signed on its behalf.


.....
N D Howarth
Director

HOWARTH TIMBER GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

HOWARTH TIMBER GROUP LIMITED

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

Opinion

We have audited the financial statements of Howarth Timber Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, Company Balance Sheet, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

HOWARTH TIMBER GROUP LIMITED

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

HOWARTH TIMBER GROUP LIMITED

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company and Group through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias. In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

HOWARTH TIMBER GROUP LIMITED

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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.

Ross Preston

Ross Preston (Senior Statutory Auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors

Leeds

Date: 27 October 2022

HOWARTH TIMBER GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover	4	337,347	247,775
Cost of sales		(225,863)	(162,084)
Gross profit		111,484	85,691
Administrative expenses		(70,794)	(64,207)
Other operating income		217	2,392
Operating profit	6	40,907	23,876
Interest receivable and similar income	10	1	1
Interest payable and similar expenses	11	(224)	(348)
Profit before taxation		40,684	23,529
Tax on profit	12	(8,168)	(4,675)
Profit for the financial year		32,516	18,854
Actuarial gains on defined benefit pension scheme		1,559	1,637
Tax on items not reclassified to profit and loss account		(528)	(310)
Other comprehensive income for the year		1,031	1,327
Total comprehensive income for the year		33,547	20,181
Profit for the year attributable to:			
Owners of the parent Company		32,516	18,854
		32,516	18,854

The notes on pages 24 to 59 form part of these financial statements.

There was no recognised gain and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

HOWARTH TIMBER GROUP LIMITED
REGISTERED NUMBER: 00067025

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	14	1,174	703
Tangible assets	15	47,718	44,155
		<u>48,892</u>	<u>44,858</u>
Current assets			
Stocks	17	42,279	32,195
Debtors: amounts falling due within one year	18	58,638	50,337
Cash at bank and in hand	19	27,202	16,104
		<u>128,119</u>	<u>98,636</u>
Creditors: amounts falling due within one year	20	(52,379)	(48,968)
Net current assets		<u>75,740</u>	<u>49,668</u>
Total assets less current liabilities		<u>124,632</u>	<u>94,526</u>
Creditors: amounts falling due after more than one year	21	(4,895)	(3,495)
Provisions for liabilities			
Deferred taxation	24	(2,248)	(262)
Other provisions	25	(533)	(415)
		<u>(2,781)</u>	<u>(677)</u>
Pension asset	30	2,345	190
Net assets		<u><u>119,301</u></u>	<u><u>90,544</u></u>
Capital and reserves			
Called up share capital	26	2	2
Share premium account	27	407	407
Capital redemption reserve	27	298	298
Profit and loss account	27	118,594	89,837
		<u><u>119,301</u></u>	<u><u>90,544</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 October 2022.

N D Howarth
Director

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED
REGISTERED NUMBER: 00067025

COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	14	-	-
Tangible assets	15	14,212	14,697
Investments	16	1,329	1,329
		<u>15,541</u>	<u>16,026</u>
Current assets			
Debtors: amounts falling due within one year	18	2,643	2,009
		<u>2,643</u>	<u>2,009</u>
Creditors: amounts falling due within one year	20	(6,888)	(6,547)
		<u>(4,245)</u>	<u>(4,538)</u>
Net current liabilities			
		<u>(4,245)</u>	<u>(4,538)</u>
Total assets less current liabilities		<u>11,296</u>	<u>11,488</u>
Creditors: amounts falling due after more than one year	21	(1,483)	(1,696)
Provisions for liabilities			
Deferred tax	24	(1,026)	(181)
		<u>(1,026)</u>	<u>(181)</u>
Pension asset	30	2,345	190
		<u>2,345</u>	<u>190</u>
Net assets		<u>11,132</u>	<u>9,801</u>
Capital and reserves			
Called up share capital	26	2	2
Share premium account	27	407	407
Capital redemption reserve	27	192	192
Profit and loss account		10,531	9,200
		<u>11,132</u>	<u>9,801</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 October 2022.

N D Howarth
Director

HOWARTH TIMBER GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1st April 2021	2	407	298	89,837	90,544
Comprehensive income for the year					
Profit for the year	-	-	-	32,516	32,516
Actuarial gain on defined benefit pension scheme	-	-	-	1,559	1,559
Tax on items not reclassified to the profit and loss accounts	-	-	-	(528)	(528)
Other comprehensive income for the year	-	-	-	1,031	1,031
Total comprehensive income for the year	-	-	-	33,547	33,547
Dividends: Equity capital	-	-	-	(4,790)	(4,790)
Total transactions with owners	-	-	-	(4,790)	(4,790)
At 31 March 2022	2	407	298	118,594	119,301

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2020	2	407	298	72,476	73,183
Comprehensive income for the year					
Profit for the year	-	-	-	18,854	18,854
Actuarial loss on defined benefit pension scheme	-	-	-	1,637	1,637
Tax on items not reclassified to the profit and loss account	-	-	-	(310)	(310)
Other comprehensive income for the year	-	-	-	1,327	1,327
Total comprehensive income for the year	-	-	-	20,181	20,181
Dividends: Equity capital	-	-	-	(2,820)	(2,820)
Total transactions with owners	-	-	-	(2,820)	(2,820)
At 31 March 2021	2	407	298	89,837	90,544

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2021	2	407	192	9,200	9,801
Comprehensive income for the year					
Profit for the year	-	-	-	5,090	5,090
Actuarial gain on defined benefit pension scheme	-	-	-	1,559	1,559
Tax on items not classified to the profit and loss account	-	-	-	(528)	(528)
Other comprehensive income for the year	-	-	-	1,031	1,031
Total comprehensive income for the year	-	-	-	6,121	6,121
Dividends: Equity capital	-	-	-	(4,790)	(4,790)
Total transactions with owners	-	-	-	(4,790)	(4,790)
At 31 March 2022	2	407	192	10,531	11,132

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 2020	2	407	192	7,296	7,897
Comprehensive income for the year					
Profit for the year	-	-	-	3,397	3,397
Actuarial loss on defined benefit pension scheme	-	-	-	1,637	1,637
Tax on items not classified to the profit and loss account	-	-	-	(310)	(310)
Other comprehensive income for the year	-	-	-	1,327	1,327
Total comprehensive income for the year	-	-	-	4,724	4,724
Dividends: Equity capital	-	-	-	(2,820)	(2,820)
Total transactions with owners	-	-	-	(2,820)	(2,820)
At 31 March 2021	2	407	192	9,200	9,801

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit for the financial year	32,516	18,854
Adjustments for:		
Amortisation of intangible assets	181	180
Depreciation of tangible assets	6,199	5,963
Loss on disposal of tangible assets	(387)	(258)
Interest paid (financial expense)	213	348
Taxation paid	(7,130)	(4,987)
(Increase) in stocks	(9,425)	(6,331)
(Increase) in debtors	(7,024)	(10,740)
Increase in creditors	1,924	14,898
Increase / (decrease) in provisions / employee benefits	117	(143)
Decrease in net pension assets/liabs	(605)	(560)
Corporation tax charge	8,168	4,675
Interest received	-	(1)
Net cash generated from operating activities	24,747	21,898
Cash flows from investing activities		
Purchase of tangible fixed assets	(9,004)	(10,391)
Disposal of tangible fixed assets	498	403
Sale of fixed asset investments	-	10
Interest received	-	1
Acquisition of subsidiary	(1,796)	-
Net cash used in investing activities	(10,302)	(9,977)

HOWARTH TIMBER GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £000	As restated 2021 £000
Cash flows from financing activities		
Repayment of loans	(653)	(479)
Repayment of/new finance leases	2,297	322
Dividends paid	(4,790)	(2,820)
Interest paid	(204)	(307)
Exchange rate fluctuations on cash held	3	-
Net cash used in financing activities	(3,347)	(3,284)
Net increase in cash and cash equivalents	11,098	8,637
Cash and cash equivalents at beginning of year	16,104	7,467
Cash and cash equivalents at the end of year	27,202	16,104
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	27,202	16,104
	27,202	16,104

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2022**

	At 1 April 2021 £000	Cash flows £000	At 31 March 2022 £000
Cash at bank and in hand	16,104	11,098	27,202
Debt due after 1 year	(2,785)	467	(2,318)
Debt due within 1 year	(640)	232	(408)
Finance leases	(1,191)	(2,327)	(3,518)
	<u>11,488</u>	<u>9,470</u>	<u>20,958</u>

The notes on pages 24 to 59 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. General information

Howarth Timber Group Limited (the "Company") is a company incorporated and domiciled in the UK. The Company's registered office is at Prince Edward Works, Pontefract Lane, Leeds, LS9 0RA. The Group financial statements consolidate those of the company and its subsidiaries (together referred to as the "Group").

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The following principal accounting policies have been applied:

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2019.

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.

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.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.3 Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its mandatory repayment terms for the banking facilities disclosed.

The Group has recognised a net profit after tax from continuing activities of £32.5m (2021: £18.8m) has current assets which exceed current liabilities by £76m, net assets of £119.3m and is in a net funds position as at 31 March 2022.

The Group manages its financial requirements through a combination of retained earnings and external finance facilities. The external financial facilities currently available to the Group include longer term fixed rate borrowings, medium term revolving credit facility, bank overdrafts and asset finance facilities.

The revolving credit facility of £10m expired on 5 August 2022 and the Group has not renewed this facility due to having sufficient cash balances and available liquidity. The Groups Net funds as at 31 March 2022 were £20.9m, comprising £27.2m of cash net of £6.3m of asset finance and fixed term mortgage backed loans.

The directors have prepared forecasts for the Group for a period to 31 October 2023. These forecasts take into account reasonable changes in trading performance. These forecasts have then been further sensitised for severe, but plausible downside scenarios, in relation to a further decline in sales, an increase in overhead costs and increased working capital requirements.

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 current facility that would enable the Group to trade in the event of the severe, but plausible downside risks which have been modelled.

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 and for a period of at least 12 months from the date of signing of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Revenue Recognition

Revenue is the amount derived from ordinary activities and is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is stated net of VAT.

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

i. Sale of goods – B2B

The company imports, manufactures and sells a range of timber products to other businesses. Sales of goods are recognised on delivery. Delivery occurs when the goods have been shipped to the location specified by the other business, or when the business collects the goods.

2.4 Revenue Recognition (Continued)

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

Some goods sold to businesses attract volume rebates. Sales are measured at the prices specified in the sale contract, net of estimated volume rebates. Volume rebates are assessed based on anticipated annual purchases. Sales are normally made with a credit term of 30 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

ii. Sale of goods – retail

The group operates merchant branches for the sale of timber and building products. Sales of goods are recognised on delivery to or collection by the customer.

iii. Sale of goods – internet based transactions

The group sells goods via its website for delivery to the customer or 'click and collect' to its merchant branches. Revenue is recognised when the risks and rewards of the inventory is passed to the customer. For deliveries to the customer this is the point of delivery and for 'click and collect' this is the time of collection. Transactions are settled by credit or payment card.

iv. Sale of services

The Group sells wharfinger services and storage of goods to other importers. Revenue is recognised in the accounting period in which the services are rendered and for the period under which goods are stored.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.9 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.

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.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible timing differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life. Goodwill is being written off over a period of seven years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which comprise direct production costs and an appropriate allocation of production overheads, are based on the method most appropriate to the type of inventory class, but usually on a first-in-first-out basis. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.21 Financial Instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

2.22 Financial Instruments (continued)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.22 Tangible Assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Land and buildings

Land and buildings include freehold and leasehold premises. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Plant and equipment, vehicles and fixtures and fittings

Plant and equipment, vehicles and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, to allocate the cost to their residual values over their estimated useful lives, as follows:

• buildings	4% p.a. reducing balance
• plant and equipment	3-10 years
• fixtures and fittings	4-7 years
• vehicles	4-7 years

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

Assets held under finance leases are depreciated in the same manner as owned assets.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that any items of property, plant and equipment have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.23 Tangible fixed assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Assets in course of construction

Assets in the course of construction are stated at cost and are not depreciated until they are transferred to the completed asset class when ready for use.

2.23 Related Parties

For the purposes of these financial statements, a party is considered to be related to the company if:

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;
- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or
- (vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.24 Leased Assets

Assets that are held by company under leases which transfer to the company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Temporary rent concessions granted as a direct consequence of the Covid-19 pandemic are recognised on a systematic basis over the periods that the change in lease payments is intended to compensate. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.25 Foreign Currencies

The financial statements are presented in Sterling, which is also the functional currency of the company. Transactions in currencies, other than the functional currency of the company, are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgements made by management that have a significant effect on the amounts recognised in the financial statements are described below.

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 2 with regard to the preparation of these accounts. The directors believe that all assets are fully recoverable as at 31st March 2022 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

There have been no assumptions with regard to assets or liabilities that cannot be supported by market price information or face value transactions.

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.

Intangible assets

The primary intangible recorded in the balance sheet is goodwill. The directors review the carrying value of goodwill and there have been no material changes since acquisition to affect the value and therefore should be recorded at full purchase price less any accumulated amortisation.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £000	2021 £000
Sale of goods	337,347	247,775
	<u>337,347</u>	<u>247,775</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2022 £000	2021 £000
Rents received	217	179
Grants and job retention scheme grant income	-	2,213
	<u>217</u>	<u>2,392</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £000	2021 £000
Depreciation	6,199	5,963
Amortisation of intangible assets	181	180
Operating lease rentals	718	836
Profit on disposal of fixed assets	(387)	(258)

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

7. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	92	86
Fees payable to the Group's auditor and its associates in respect of:		
All other services	18	18
	18	18

In the current year, and previous year, the audit fees are payable to Armstrong Watson Audit Limited.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Wages and salaries	33,836	31,966	3,844	3,844
Social security costs	3,046	2,600	206	206
Pension costs	862	897	(344)	(414)
	37,744	35,463	3,706	3,636

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Production	403	374
Selling and distribution	392	371
Administration	145	156
	940	901

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

9. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	3,025	3,023
Company contributions to defined contribution pension schemes	94	48
	<u>3,119</u>	<u>3,071</u>

During the year retirement benefits were accruing to 3 directors (2021 - 3) respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,429 thousand (2021 - £1,427 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2021 - £NIL)

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2021 - £NIL)

10. Interest receivable and similar income

	2022 £000	2021 £000
Other interest receivable	1	1
	<u>1</u>	<u>1</u>

11. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	124	176
Other interest payable	100	133
Net interest on net defined benefit pension plan liability	-	39
	<u>224</u>	<u>348</u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	6,731	4,542
Adjustments in respect of previous periods	26	(24)
Total current tax	6,757	4,518
Deferred tax		
Origination and reversal of timing differences	985	157
Reduction in tax rate	423	-
Adjustments in respect of previous periods	3	-
Total deferred tax	1,411	157
Taxation on profit on ordinary activities	8,168	4,675

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	40,907	23,529
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	7,736	4,470
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	138	54
Fixed asset differences	198	161
Utilisation of tax losses	(41)	(30)
Adjustments to tax charge in respect of prior periods	29	20
Change in tax rate	423	-
Short term timing difference leading to an increase (decrease) in taxation	(315)	-
Total tax charge for the year	8,168	4,675

Factors that may affect future tax charges

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

12. Taxation (continued)

An increase in the UK corporate tax from 19% to 25% was announced in the 2021 budget, this is scheduled to take effect from April 2023. The rate for small profits under £50,000 will remain at 19%, and there will be taper relief for businesses with profits between £50,000 and £250,000.

13. Dividends

	2022 £000	2021 £000
Dividends paid on qualifying ordinary shares	4,790	2,820
	<u>4,790</u>	<u>2,820</u>

14. Intangible assets

Group

	Goodwill £000
Cost	
At 1 April 2021	1,987
Additions	652
At 31 March 2022	<u>2,639</u>
Amortisation	
At 1 April 2021	1,284
Charge for the year on owned assets	181
At 31 March 2022	<u>1,465</u>
Net book value	
At 31 March 2022	<u>1,174</u>
At 31 March 2021	<u>703</u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. Intangible assets (continued)

Company

	Software £000
Cost	
At 1 April 2021	40
At 31 March 2022	40
Amortisation	
At 1 April 2021	40
At 31 March 2022	40
Net book value	
At 31 March 2022	-
At 31 March 2021	-

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15. Tangible fixed assets

Group

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2021	45,246	41,885	5,974	1,978	95,083
Additions	2,966	5,280	744	-	8,990
Acquisition of subsidiary	867	18	-	-	885
Disposals	(2)	(1,799)	(127)	-	(1,928)
Transfers between classes	1,896	-	82	(1,978)	-
At 31 March 2022	50,973	45,384	6,673	-	103,030
Depreciation					
At 1 April 2021	17,268	29,307	4,352	-	50,927
Charge for the year on owned assets	1,263	4,448	488	-	6,199
Disposals	(1)	(1,689)	(124)	-	(1,814)
At 31 March 2022	18,530	32,066	4,716	-	55,312
Net book value					
At 31 March 2022	32,443	13,318	1,957	-	47,718
At 31 March 2021	27,978	12,577	1,622	1,978	44,155

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

15. Tangible fixed assets (continued)

Leased plant and machinery

At 31 March 2022 the net carrying amount of leased plant and machinery was £4,099,000 (2021: £2,261,000).

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15. Tangible fixed assets (continued)

Company

	Freehold Property £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 April 2021	14,755	1,830	16,585
Additions	-	271	271
Disposals	-	(43)	(43)
At 31 March 2022	14,755	2,058	16,813
Depreciation			
At 1 April 2021	504	1,384	1,888
Charge for the year on owned assets	504	229	733
Disposals	-	(20)	(20)
At 31 March 2022	1,008	1,593	2,601
Net book value			
At 31 March 2022	13,747	465	14,212
At 31 March 2021	14,251	446	14,697

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

16. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2021	7,186
At 31 March 2022	<u>7,186</u>
Impairment	
At 1 April 2021	5,857
At 31 March 2022	<u>5,857</u>
Net book value	
At 31 March 2022	<u><u>1,329</u></u>
At 31 March 2021	<u><u>1,329</u></u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

16. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Arbor Forest Products Limited	The Lincoln Castle, Barrow Road, New Holland, Barrow Upon Humber, North Lincolnshire, DN19 7RR	Ordinary	100%
New Holland Dock Wharfingers Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Howarth Timber & Building Supplies Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Howarth Timber Engineered Solutions Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Builders Store Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Boards (Cottingham) Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%

17. Stocks

	Group 2022 £000	Group 2021 £000
Raw materials and consumables	3,086	2,906
Work in progress	57	69
Finished goods	39,136	29,220
	42,279	32,195

The difference between purchase price or production cost of stocks and their replacement cost is not material.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

18. Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade Debtors	50,733	43,302	4	6
Amount owed by group undertakings	-	-	1,047	789
Other Debtors	384	244	45	20
Prepayments & accrued income	7,476	6,791	1,069	333
Corporation tax debtor	-	-	478	861
Deferred tax	45	-	-	-
	<u>58,638</u>	<u>50,337</u>	<u>2,643</u>	<u>2,009</u>

19. Cash and cash equivalents

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Cash at bank and in hand	27,202	16,104	-	-
Bank overdrafts	-	-	(3,914)	(4,167)
	<u>27,202</u>	<u>16,104</u>	<u>(3,914)</u>	<u>(4,167)</u>

20. Creditors: Amounts falling due within one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank overdrafts	-	-	3,914	4,167
Bank loans	408	640	208	204
Trade creditors	33,453	30,964	174	162
Corporation tax	289	520	-	-
Other taxation and social security	7,943	7,608	2,205	1,513
Obligations under finance lease and hire purchase contracts	956	483	-	-
Other creditors	811	885	-	18
Accruals and deferred income	8,519	7,868	387	483
Owed to group undertakings	-	-	-	-
	<u>52,379</u>	<u>48,968</u>	<u>6,888</u>	<u>6,547</u>

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

21. Creditors: Amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank loan	2,331	2,785	1,483	1,696
Preference shares	2	2	-	-
Net obligations under finance leases and hire purchase contracts	2,562	708	-	-
	-	-	-	-
	4,895	3,495	1,483	1,696

Bank loans include fixed term loans secured with mortgages on certain freehold properties. These loans are at a fixed interest rates between 2.74% and 2.96% and were for original terms of 10 years, with expiry in 2027 and 2029.

The Group also had available to it an RCF Facility of £10m of which £nil was drawn as at 31 March 2022 (2021: £nil). This facility was for a 3 year term and expired in August 2022. Interest on this facility when drawn is based on 1.6% plus base rate. Where the facility is undrawn a non utilisation fee of 0.64% is payable

22. Loans

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Amounts falling due within one year				
Bank loans	408	640	208	204
	408	640	208	204
Amounts falling due 1-5 years				
Bank loans	1,751	1,764	903	892
	1,751	1,764	903	892
Amounts falling due after more than 5 years				
Bank loans	580	1,021	580	804
	580	1,021	580	804
	2,739	3,425	1,691	1,900

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Hire purchase and finance leases

Minimum lease payments under hire purchase and finance leases fall due as follows:

	Group 2022 £000	Group 2021 £000
Within one year	956	483
Between 1-5 years	2,562	708
	<u>3,518</u>	<u>1,191</u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

24. Deferred taxation

Group

	2022 £000	2021 £000
At beginning of year	262	(233)
Charged to profit or loss	1,459	185
Acquired under business combination	4	-
Recognised in equity	531	310
At end of year	2,248	262

Company

	2022 £000	2021 £000
At beginning of year	181	(246)
Charged to profit or loss	314	117
Recognised in equity	531	310
At end of year	1,026	181

The provision for deferred taxation is made up as follows:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Accelerated capital allowances	1,428	226	206	145
Employee benefits	820	36	820	36
	2,248	262	1,026	181

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

25. Provisions

Group

	Remedial works and guarantee provisions £000
At 1 April 2021	415
Charged to profit or loss	119
At 31 March 2022	<u>534</u>

Remedial work and Guarantee Provisions relate to product warranties composite decking products (25 year warranty).

HOWARTH TIMBER GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

26. Share capital

Group and Company

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,586 (2021 - 1,586) Ordinary shares of £1.00 each	2	2

On 31 December 2020, there was 4 ordinary shares allotted of £1 each.

27. Reserves

Share premium account

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price. This is a non-distributable reserve.

Capital redemption reserve

This is a non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Profit and loss account

This is cumulative profit and loss reserves less net distributions to owners.

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

28. Business combinations

On 21 January 2022, Howarth Timber and Building Supplies Limited acquired 100% of the ordinary share capital of Boards (Cottingham) Ltd for a total consideration of £1,949,000, payable in cash.

Boards (Cottingham) Limited operates as a timber merchant from its site in Cottingham, and also manufactured and supplied I-beams. On 31 March 2022, the trade and assets were hived up to Howarth Timber and Building Supplies Limited and the branch commenced trading as Howarth Timber and Building Supplies Cottingham branch. The Ibeam business was transferred to Howarth Timber Engineered Solutions Limited.

Acquisition of Boards (Cottingham) Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value adjustments £000	Fair value £000
Fixed Assets			
Tangible	890	(5)	885
	<u>890</u>	<u>(5)</u>	<u>885</u>
Current Assets			
Stocks	725	(65)	660
Debtors	1,180	-	1,180
Other Debtors	63	-	63
Cash at bank and in hand	(430)	-	(430)
Total Assets	<u>2,428</u>	<u>(70)</u>	<u>2,358</u>
Creditors			
Due within one year	(1,042)	(15)	(1,057)
Provisions for liabilities	(4)	-	(4)
Total identifiable net assets	<u>1,382</u>	<u>(85)</u>	<u>1,297</u>
Goodwill			652
Total purchase consideration			<u>1,949</u>
Consideration			£000
Cash			1,797
Deferred Cash			152
Total purchase consideration			<u>1,949</u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

28. Business combinations (continued)

Boards Cottingham contributed £2.3m of sales and profit before tax of £176,000 in the period from acquisition to the 31 March 2022.

29. Capital commitments

Group - Capital commitments

During the year ended 31 March 2022, the Group entered into a contract to purchase property, plant and equipment for £6,067,364 (2021: £3,100,467)

Company - Capital commitments

During the year ended 31 March 2022, the Company entered into contracts to purchase property, plant and equipment for £Nil (2021: £Nil). These commitments are expected to be settled in the following financial year.

30. Pension commitments

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 payable by the company to the funds and amounted to £862,000 (2021: £897,000). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Defined benefit arrangement

The Group operates 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 2019 and the preliminary results have been updated to 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer.

Reconciliation of present value of plan liabilities:

	2022 £000	2021 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	24,108	22,046
Interest cost	473	498
Actuarial gains	(1,446)	2,361
Benefits paid	(629)	(797)
Settlements or curtailments	(1,558)	-
At the end of the year	20,948	24,108

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

30. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	24,298	20,038
Return on plan assets	113	3,998
Interest cost	482	459
Contributions	1,100	600
Benefits paid	(629)	(797)
Settlements / Curtailments	(2,071)	-
At the end of the year	23,293	24,298

Composition of plan assets:

	2022 £000	2021 £000
Equities	13,487	13,401
Corporate bonds	1,474	1,696
Index linked bonds	1,487	1,588
Insured assets	6,810	7,554
Bank account	35	59
Total plan assets	23,293	24,298

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

30. Pension commitments (continued)

	2022 £000	2021 £000
Fair value of plan assets	23,293	24,298
Present value of plan liabilities	(20,948)	(24,108)
Net pension scheme asset	2,345	190

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Current service cost	(9)	39
Curtailments	513	-
Total	504	39

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2022 %	2021 %
Discount rate	2.70	2.05
Revaluation in deferment	3.65	2.9
Future pension increases (CPI Up to 5%)	3.3	2.9
Future pension increases (CPI Up to 2.5%)	2.2	2.5
Mortality rates		
- for a male aged 65 now	22	21.9
- at 65 for a male aged 45 now	23.3	23.3
- for a female aged 65 now	24.4	24.3
- at 65 for a female member aged 45 now	25.8	25.8

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

31. Commitments under operating leases

At 31 March 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £000	<i>Group 2021 £000</i>	Company 2022 £000	<i>Company 2021 £000</i>
Not later than 1 year	777	668	210	210
Later than 1 year and not later than 5 years	3,081	2,650	841	841
Later than 5 years	4,163	4,824	2,729	2,940
	<u>8,021</u>	<u>8,142</u>	<u>3,780</u>	<u>3,991</u>

32. Contingencies

The Company and fellow subsidiary undertakings are party to unlimited multilateral company guaranteed to HSBC pls 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 2022 amounted to £nil (2021: £nil).

33. Controlling party

There is no ultimate controlling party.