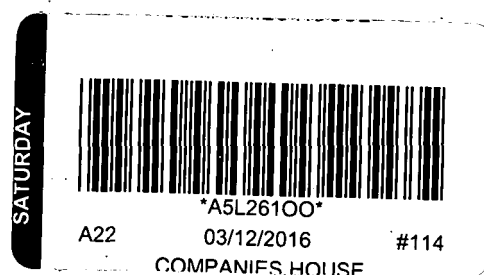


Howarth Timber & Building Supplies Limited

Annual report and financial statements

Registered number 201929

31 March 2016



Howarth Timber & Building Supplies Limited
Annual report and financial statements
31 March 2016

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Strategic report

Principal activities

The principal trade of the business is the supply of timber and other building supplies to merchants, building material suppliers and DIY retailers.

Business model

The business activities are conducted through the company's network of branches, along with the company's online trading facility. The business is moving towards each branch being a 'one stop shop' for its customers offering a wide range of products at a competitive price. Howarth Timber and Building Supplies also prides itself on having the most knowledgeable staff in the industry to assist its customers and leverages the family run ethos that runs through the heart of the business, both of which enhance customer experience and ensure our customers continue to come back.

Business review and results

Turnover at the timber and building supplies business continued to grow year on year through a combination of continued, albeit slower, growth in the economy, expanding the product offering and continued development of the branch network. As a result, turnover increased by 9% to £78.4m (2015: £71.8m). Operating profit rose to £3.0m (2015: £2.5m). The merchant business represents 46.3% of total group turnover. Margins remain under pressure in a competitive marketplace and sound cost control remains a priority for the company.

Key performance indicators

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

| | 2016 | 2015 | Measure |
|--------------------------------------|------|------|--|
| Financial | | | |
| Return on capital | 0.25 | 0.28 | Profit before tax/net assets |
| Current ratio | 1.49 | 1.46 | Current assets/current liabilities |
| Stock turnover | 8.81 | 8.81 | Turnover/stock |
| Days debtors | 41 | 43 | Trade debtor's/turnover x 365 |
| Sales per employee (£000) | 186 | 187 | Turnover/average number of employees |
| Operating profit per employee (£000) | 7.1 | 6.8 | Operating profit/average number of employees |

The above ratios reflect the continued strong management of the business in terms of sound investment choices, good working capital management and strong employee base. Key performance ratios are used to monitor the use of working capital and cost controls, in particular employment costs which make up over 50% of the company overhead costs.

Principal risks and uncertainties

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

- Raw material availability and prices: the company monitors raw material sources on a national basis.
- Environmental risks: the company places considerable emphasis upon environmental compliance in each of its businesses and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key processes.
- Debtors: the company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed. In addition, the company maintains credit insurance whereby the majority of outstanding debts are credit insured.
- Major disruption/disaster: business continuity planning is reviewed regularly.

Principal risks and uncertainties (continued)

- The effect of legislation or other regulatory activities: the group monitors forthcoming and current legislation regularly.
- All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- Competitive risk: The company operates in highly competitive markets. The diversity of operations reduces the possible effect of action by any single competitor.

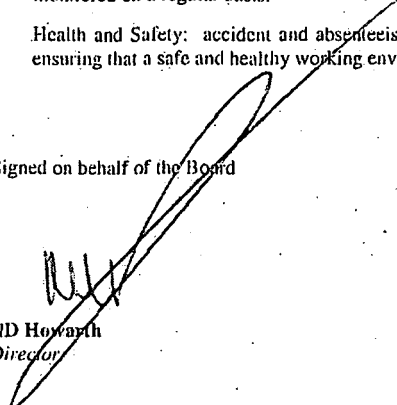
Strategic Report (continued)

Future developments

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

- Sales and marketing: new and replacement business is being won continually and key customer relationships are monitored on a regular basis.
- Health and Safety: accident and absenteeism rates are monitored and the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Signed on behalf of the Board


ND Howarth
Director

19th August 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Result for the year

The company is reporting an operating profit of £3.0m (2015: £2.6m). Further commentary on the result can be found in the strategic report.

The directors do not recommend payment of a dividend (2015: £2.0m)

Directors

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

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

The chairmanship of the company rotates on an annual basis.

The director retiring by rotation is AP Howarth who, being eligible, offers himself for re-election.

Employees

Howarth Timber & Building Supplies Ltd operates on the belief that employees are its most important asset and staff are treated as such. The business also has a zero tolerance approach to all forms of discrimination and all employees are judged on their abilities and all staff have the same opportunity for progression. Furthermore, the business is committed to the development of employee consultation so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

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

By order of the board:



ND Howarth
Director

Prince Edward Works
Pontefract Lane
Leeds
LS9 0RA
19th August 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOWARTH TIMBER & BUILDING SUPPLIES LIMITED

We have audited the financial statements of Howarth Timber & Building Supplies Limited for the year ended 31 March 2016 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

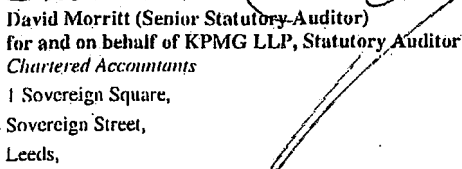
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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


David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square,
Sovereign Street,
Leeds,
LS1 4DA

19th August 2016

Howarth Timber & Building Supplies Limited
Annual report and financial statements
31 March 2016

Profit and Loss Account
for year ended 31 March 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | 2 | 78,427 | 71,974 |
| Changes in stocks of finished goods and work in progress | | 802 | (1,611) |
| Other operating income | 3 | 571 | 428 |
| Raw material and consumables | | (54,249) | (48,119) |
| Staff costs | 5 | (11,610) | (10,597) |
| Depreciation and other amounts written off tangible fixed assets | | (1,141) | (897) |
| Other operating charges | | (9,834) | (8,564) |
| Operating profit | | 2,966 | 2,614 |
| Other interest receivable and similar income | 7 | 71 | 113 |
| Interest payable and similar charges | 8 | (38) | (13) |
| Profit on ordinary activities before taxation | | 2,999 | 2,714 |
| Tax | 9 | (631) | (653) |
| Profit for the financial year | | 2,368 | 2,061 |

Other Comprehensive Income
for year ended 31 March 2016

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Profit for the year | 2,368 | 2,061 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 2,368 | 2,061 |

Balance Sheet
at 31st March 2016

| | Note | 2016 | | 2015 | |
|--|------|----------|--------|----------|-------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| <i>Intangible assets</i> | | | | | |
| Investments | 10 | 949 | | | |
| | | | 949 | | |
| Tangible assets | 11 | 4,352 | | | 2,610 |
| | | | 5,301 | | 2,610 |
| Current assets | | | | | |
| Stocks | 12 | 8,906 | | 8,170 | |
| Debtors (including £nil (2015: £nil) due after more than one year) | 13 | 11,290 | | 10,614 | |
| Cash at bank and in hand | | 1,963 | | 4,082 | |
| | | 22,159 | | 22,866 | |
| Creditors: amounts falling due within one year | 14 | (14,825) | | (15,676) | |
| Net current assets | | | 7,334 | | 7,190 |
| Total assets less current liabilities | | | 12,635 | | 9,800 |
| Creditors: amounts falling due after more than one year | 15 | | (696) | | (229) |
| Net assets | | | 11,939 | | 9,571 |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 48 | | 48 |
| Profit and loss account | | | 11,891 | | 9,523 |
| Shareholders' funds | | | 11,939 | | 9,571 |

These financial statements were approved by the board of directors on 19th August 2016 and were signed on its behalf by:


ND Howarth
Director

Company registered number: 201929

Statement of Changes in Equity

| | Called up Share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------------|------------------------------------|-------------------------|
| Balance at 1 April 2014 | 48 | 9,462 | 9,510 |
| Total comprehensive income for the period | | | |
| Profit or loss | - | 2,061 | 2,061 |
| Total comprehensive income for the period | | 2,061 | 2,061 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | (2,000) | (2,000) |
| Total contributions by and distributions to owners | | (2,000) | (2,000) |
| Balance at 31 March 2015 | 48 | 9,523 | 9,571 |

| | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------------|------------------------------------|----------------------|
| Balance at 1 April 2015 | 48 | 9,523 | 9,571 |
| Total comprehensive income for the period | | | |
| Profit or loss | - | 2,368 | 2,368 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | | 2,368 | 2,368 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends | - | - | - |
| Total contributions by and distributions to owners | | - | - |
| Balance at 31 March 2016 | 48 | 11,891 | 11,939 |

Notes (forming part of the financial statements)

1 Accounting policies

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

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

- Business combinations – Business combinations that took place prior to 1 April 2014 have not been restated.
- Fair value or revaluation as deemed cost – At 1 April 2014, fair value has been used as deemed cost for properties previously measured at fair value.

The Company's ultimate parent undertaking, Howarth Timber Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Howarth Timber Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA.

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period (see note 24);
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Notes (continued)

1 Accounting policies (continued)

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The company is a subsidiary undertaking of Howarth Timber Group Limited and manages its day-to-day working capital requirements through a group wide facility (incorporating an overdraft, and revolving credit facility) which covers all the group's trading entities.

The total overdraft facility was renewed at a level of £5.0m in January 2016 and is due for renewal in January 2017. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors can confirm that the revolving credit facility is in place at a level of £7.5m for a 5-year period to 11 July 2019, ensuring the business has sufficient flexibility to manage its affairs in the short to medium term.

The directors have considered the going concern basis in the context of the overall Howarth Timber Group Limited group of companies, but with specific consideration of those risks that are specific to each of the individual subsidiary undertakings.

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

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

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

1.3 Foreign currency

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

1.4 Non-derivative financial instruments

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

Trade and other debtors

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

Notes (continued)

1 Accounting policies (continued)

1.5 Non-derivative financial instruments (continued)

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

Interest-bearing borrowings

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

1.6 Tangible fixed assets

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

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

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

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Motor Vehicles 4-7 years
- Plant and equipment 7 years
- Fixtures and fittings 4-7 years

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

1.8 Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

1.9 Stocks

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

Notes (continued)

1 Accounting policies (continued)

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

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

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

1.11 Provisions

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

1.12 Turnover

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

Notes (continued)

1 Accounting policies (continued)

1.13 Expenses

Finance lease payments

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

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1.14 Taxation

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

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

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

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

Notes (continued)

2 Turnover

| | 2016 £000 | 2015 £000 |
|----------------|---------------|---------------|
| Sale of goods | 78,427 | 71,974 |
| Total turnover | <u>78,427</u> | <u>71,974</u> |

3 Other operating income

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Marketing Support Received | 283 | 235 |
| Group Management income | 72 | 61 |
| Rent Received | 9 | 7 |
| Net gain on disposal of tangible fixed assets | 207 | 125 |
| | <u>571</u> | <u>428</u> |

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration:

| | 2016 £000 | 2015 £000 |
|-------------------------------------|--------------|--------------|
| Audit of these financial statements | <u>60</u> | <u>42</u> |

5 Staff numbers and costs

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

| | Number of employees | |
|--------------------------|---------------------|------------|
| | 2016 | 2015 |
| Production | 138 | 126 |
| Selling and distribution | 200 | 183 |
| Administration | 83 | 75 |
| | <u>421</u> | <u>384</u> |

The aggregate payroll costs of these persons were as follows:

| | 2016 £000 | 2015 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 10,162 | 9,187 |
| Social security costs | 901 | 842 |
| Pension costs | 547 | 568 |
| | <u>11,610</u> | <u>10,597</u> |

Notes (continued)

6 Directors' remuneration

| | 2016 | 2015 |
|-------------------------|------|------|
| | £000 | £000 |
| Directors' remuneration | 94 | 91 |

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £94,333 (2015: £91,095). He is a member of a closed defined benefit scheme and as such no contributions were paid in to this scheme.

| | Number of directors 2016 | 2015 |
|---|-----------------------------|------|
| Retirement benefits are accruing to the following number of directors under: Defined benefit schemes | 1 | 1 |

7 Other interest receivable and similar income

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Bank interest receivable | 70 | 113 |
| Other | 1 | - |
| Total interest receivable and similar income | 71 | 113 |

8 Interest payable and similar charges

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Finance lease charges | 38 | 13 |
| Total other interest payable and similar charges | 38 | 13 |

Interest payable and similar charges includes interest payable on finance lease liabilities of £38,018 (2015: £13,347). Of the above amount £nil (2015: £nil) was payable to group undertakings.

Notes (continued)

9 Taxation

Recognised in the profit and loss account

| | 2016 | | 2015 | |
|---|------|------|------|------|
| | £000 | £000 | £000 | £000 |
| <i>UK corporation tax</i> | | | | |
| Current tax on income for the period | 569 | | 586 | |
| Total current tax | | 569 | | 586 |
| <i>Deferred tax (see note 17)</i> | | | | |
| Origination and reversal of temporary differences | 51 | | 70 | |
| Reduction in tax rate | 11 | | | |
| Adjustment in respect of prior years | - | | (3) | |
| Total deferred tax | | 62 | | 67 |
| Tax on profit on ordinary activities | | 631 | | 653 |

Reconciliation of effective tax rate

| | 2016 | 2015 |
|--|-------|-------|
| | £000 | £000 |
| Profit for the year | 2,368 | 2,061 |
| Total tax expense | 631 | 653 |
| Profit excluding taxation | 2,999 | 2,714 |
| Tax using the UK corporation tax rate of 20% (2015: 20%) | 600 | 542 |
| Non-deductible expenses | 17 | 42 |
| Adjust closing deferred tax to average rate of 20% | 8 | - |
| Rate difference | - | 24 |
| Fixed Asset timing differences | 6 | 45 |
| Total tax expense | 631 | 653 |

Notes (continued)

10 Investments

| | Shares in group undertakings £000 | Total £000 |
|------------------------------|--|---------------|
| <i>Cost</i> | | |
| At beginning of year | - | - |
| Additions | 949 | 949 |
| At end of year | 949 | 949 |
| <i>Provisions</i> | | |
| At beginning and end of year | - | - |
| <i>Net book value</i> | | |
| At 31 March 2016 | 949 | 949 |
| At 31 March 2015 | - | - |

Notes (continued)

11 Tangible fixed assets

| | Computer Equipment | Motor Vehicles | Leasehold improvements | Plant and equipment | Fixtures & fittings | Total |
|------------------------------------|-----------------------|-------------------|---------------------------|------------------------|------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | |
| Balance at 1 April 2015 | 353 | 3,920 | 665 | 3,493 | 3,199 | 11,630 |
| Other acquisitions | 37 | 2,045 | - | 372 | 518 | 2,972 |
| Disposals | - | (1,013) | - | (18) | - | (1,031) |
| Balance at 31 March 2016 | 390 | 4,952 | 665 | 3,847 | 3,717 | 13,571 |
| Depreciation and impairment | | | | | | |
| Balance at 1 April 2015 | 283 | 2,747 | 220 | 3,136 | 2,634 | 9,020 |
| Depreciation charge for the year | 26 | 678 | 33 | 172 | 232 | 1,141 |
| Disposals | - | (924) | - | (18) | - | (942) |
| Balance at 31 March 2016 | 309 | 2,501 | 253 | 3,290 | 2,866 | 9,219 |
| Net book value | | | | | | |
| At 1 April 2015 | 70 | 1,173 | 445 | 357 | 565 | 2,610 |
| At 31 March 2016 | 81 | 2,451 | 412 | 557 | 851 | 4,352 |

Leased plant and machinery

At 31st March 2016 the net carrying amount of leased plant and machinery was £1,462,235 (2015: £458,420). The leased equipment secures lease obligations (see note 16).

Security

Security for leased assets is against the specific asset being leased.

Notes (continued)

12 Stocks

| | 2016 | 2015 |
|----------------|--------------|--------------|
| | £000 | £000 |
| Finished goods | 8,906 | 8,170 |
| | <u>8,906</u> | <u>8,170</u> |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £53.4m (2015: £49.9m).

13 Debtors

| | 2016 | 2015 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade debtors | 8,892 | 8,668 |
| Amounts owed by group undertakings | 242 | 1 |
| Other debtors | 199 | 623 |
| Prepayments and accrued income | 1,888 | 1,192 |
| Deferred tax assets | 69 | 130 |
| | <u>11,290</u> | <u>10,614</u> |
| Due within one year | 11,290 | 10,614 |
| Due after more than one year | | |

14 Creditors: amounts falling due within one year

| | 2016 | 2015 |
|--|---------------|---------------|
| | £000 | £000 |
| Obligations under finance leases (see note 19) | 524 | 204 |
| Trade creditors | 9,774 | 9,865 |
| Amounts owed to group undertakings | 3,043 | 3,848 |
| Taxation and social security | 426 | 243 |
| Other creditors | 31 | 557 |
| Accruals and deferred income | 458 | 373 |
| Corporation tax | 569 | 586 |
| | <u>14,825</u> | <u>15,676</u> |

15 Creditors: amounts falling after more than one year

| | 2016 | 2015 |
|--|------------|------------|
| | £000 | £000 |
| Shares classified as liabilities (Note 20) | 2 | 2 |
| Obligations under finance leases (see note 19) | 694 | 227 |
| | <u>696</u> | <u>229</u> |

Notes (continued)

16 Interest-bearing loans and borrowings

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

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Creditors falling due more than one year | | |
| Finance lease liabilities | 694 | 227 |
| | <u>694</u> | <u>227</u> |
| Creditors falling due within less than one year | | |
| Finance lease liabilities | 524 | 204 |
| | <u>524</u> | <u>204</u> |

Terms and debt repayment schedule

| | Currency | Face value 2016 £000 | Carrying amount 2016 £000 | Face value 2015 £000 | Carrying amount 2015 £000 |
|---------------------------|----------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| Finance lease liabilities | £ | 1,218 | 1,264 | 431 | 444 |
| | | <u>1,218</u> | <u>1,264</u> | <u>431</u> | <u>444</u> |

Finance lease liabilities

Finance lease liabilities are payable as follows:

| | Minimum lease payments 2016 £000 | Interest 2016 £000 | Principal 2016 £000 | Minimum lease payments 2015 £000 | Interest 2015 £000 | Principal 2015 £000 |
|----------------------------|--|--------------------------|---------------------------|--|--------------------------|---------------------------|
| Less than one year | 524 | 10 | 514 | 204 | 4 | 200 |
| Between one and five years | 694 | 14 | 680 | 227 | 5 | 222 |
| More than five years | - | - | - | - | - | - |
| | <u>1,218</u> | <u>24</u> | <u>1,194</u> | <u>431</u> | <u>9</u> | <u>422</u> |

Notes (continued)

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets 2016 £000 | 2015 £000 | Liabilities 2016 £000 | 2015 £000 | Net 2016 £000 | 2015 £000 |
|--------------------------------|------------------------|--------------|-----------------------------|--------------|---------------------|--------------|
| Tangible fixed assets | (68) | (130) | - | - | (68) | (130) |
| Tax (assets) / liabilities | (68) | (130) | - | - | (68) | (130) |
| Net tax (assets) / liabilities | (68) | (130) | - | - | (68) | (130) |

Movement in deferred tax during the year

| | 1 April 2015 £000 | Recognised in income £000 | Recognised in equity £000 | Acquired in business combination £000 | 31 March 2016 £000 |
|-----------------------|----------------------|---------------------------------|---------------------------------|--|--------------------------|
| Tangible fixed assets | 130 | (61) | - | - | (69) |
| | 130 | (61) | - | - | (69) |

Movement in deferred tax during the prior year

| | 1 April 2014 £000 | Recognised in income £000 | Recognised in equity £000 | Acquired in business combination £000 | 31 March 2015 £000 |
|-----------------------|----------------------|---------------------------------|---------------------------------|--|--------------------------|
| Tangible fixed assets | 197 | (67) | - | - | 130 |
| | 197 | (67) | - | - | 130 |

A reduction in the Corporation tax rate to 20% from 1 April 2015 was substantially enacted on 2 July 2013. Further reductions in the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. Deferred tax in respect of timing differences is recognised at the rate substantively enacted at the balance sheet date.

Notes (continued)

18 Capital and reserves

Share capital

| In thousands of shares | Ordinary shares 2016 |
|--|-------------------------|
| On issue at 1 st April 2015 | 48 |
| Issued for cash | - |
| On issue at 31 March 2016 – fully paid | 48 |

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £ 1.00 each | 48 | 48 |
| 4,000 5% cumulative preference shares of 50p each | 2 | 2 |
| | <u>50</u> | <u>50</u> |
| Shares classified in shareholders' funds | 48 | 48 |
| | <u>48</u> | <u>48</u> |

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

Dividends

The following dividends were recognised during the period:

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| £Nil (2015: £1,000) per qualifying ordinary share | - | 2,000 |
| | <u>-</u> | <u>2,000</u> |

After the balance sheet date dividends of £nil per qualifying ordinary share (2015: £nil) were proposed by the directors.

19 Commitments

Capital commitments

During the year ended 31st March 2016 the Company entered into a contract to purchase property, plant and equipment for £246,120 (2015: £1,425,056).

Notes (continued)

20 Contingencies

The company and fellow subsidiary undertakings are party to unlimited multilateral company guaranteed to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary understanding at 31 March 2016 amounted to £4,971,659 (2015: 3,259,523).

21 Related parties

Identity of related parties with which the Company has transacted

During the year, Howarth Timber & Builders Supplies made arm's length purchases from sister companies within the Howarth Timber Group.

Transactions with key management personnel

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

Other related party transactions

There were no other related party transactions

Other related party transactions

| | Sales to 2016 £000 | Sales to 2015 £000 | Administrative expenses incurred from 2016 £000 | Administrative expenses incurred from 2015 £000 |
|---------------------------|--------------------------|--------------------------|---|---|
| Parent | 4 | 16 | 3,319 | 3,378 |
| Fellow group undertakings | 325 | 450 | 8,033 | 8,244 |
| | <u>329</u> | <u>466</u> | <u>11,352</u> | <u>11,622</u> |

| | Receivables outstanding 2016 £000 | Receivables outstanding 2015 £000 | Creditors outstanding 2016 £000 | Creditors outstanding 2015 £000 |
|---------------------------|--|--|--|--|
| Fellow group undertakings | 242 | 546 | 3,034 | 3,848 |
| | <u>242</u> | <u>546</u> | <u>3,034</u> | <u>3,848</u> |

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Howarth Timber Group Limited which is the ultimate parent company incorporated in the UK. The ultimate controlling party is Howarth Timber Group Limited.

23 Accounting estimates and judgements

There have been no assumptions as to recoverability of assets or size of liabilities beyond those set out in note 1 with regard to the preparation of these accounts. The directors believe that all assets are fully recoverable as at 31st March 2016 and all liabilities are recorded at the amount which we expected to pay at that date.

Notes (continued)

24 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

| | | 1 April 2014 Effect of transition to FRS 101 | | 31 March 2015 Effect of transition to FRS 101 | |
|---|------|---|-----------------|--|-----------------|
| | Note | UK GAAP £000 | FRS 101 £000 | UK GAAP £000 | FRS 101 £000 |
| Fixed assets | | | | | |
| Investments | | - | - | - | - |
| Tangible assets | | 2,172 | 2,172 | 2,610 | 2,610 |
| | | 2,172 | 2,172 | 2,610 | 2,610 |
| Current assets | | | | | |
| Stocks | | 6,700 | 6,700 | 8,170 | 8,170 |
| Debtors | i | 9,201 | 9,223 | 10,589 | 10,614 |
| Cash at bank and in hand | | 3,721 | 3,721 | 4,082 | 4,082 |
| | | 19,622 | 19,644 | 22,841 | 22,736 |
| Creditors: amounts falling due within one year | i | (11,980) | (12,091) | (15,548) | (15,675) |
| | | 7,642 | 7,553 | 7,293 | 7,061 |
| Net current assets | | 7,642 | 7,553 | 7,293 | 7,061 |
| Total assets less current liabilities | | 9,814 | 9,725 | 9,903 | 9,800 |
| Creditors: amounts falling due after more than one year | | (215) | (215) | (229) | (229) |
| Net assets | | 9,599 | 9,510 | 9,674 | 9,571 |
| Capital and reserves | | | | | |
| Called up share capital | | 48 | 48 | 48 | 48 |
| Profit and loss account | i | 9,551 | 9,462 | 9,626 | 9,523 |
| Shareholders' funds | | 9,599 | 9,510 | 9,674 | 9,571 |

i Creation of holiday pay provision and associated deferred tax impact.

Notes (continued)

24 Explanation of transition to FRS 101 (continued)

Reconciliation of profit for 31 March 2015

| | Note | UK GAAP £000 | 2015 Effect of transition to FRS 101 £000 | FRS 101 £000 |
|---|------|-----------------|---|-----------------|
| Turnover | | 71,974 | - | 71,974 |
| Changes in stocks of finished goods and work in progress | | (1,611) | - | (1,611) |
| Other operating income | a | 304 | 125 | 429 |
| Raw material and consumables | | (48,119) | - | (48,119) |
| Staff costs | b | (10,580) | (17) | (10,597) |
| Depreciation and other amounts written off tangible and intangible fixed assets | | (897) | - | (897) |
| Other operating charges | | (8,564) | - | (8,564) |
| Operating profit | | 2,506 | - | 2,614 |
| Other interest receivable and similar income | a | 238 | (125) | 113 |
| Interest payable and similar charges | | (13) | - | (13) |
| Profit on ordinary activities before taxation | | 2,731 | - | 2,714 |
| Tax | b | (656) | 3 | (653) |
| Profit for the financial year | | 2,075 | (14) | 2,061 |

Notes to the reconciliation of profit

- a) Move profit on disposal of assets to other operating income
- b) Movement in holiday provision and deferred tax impact