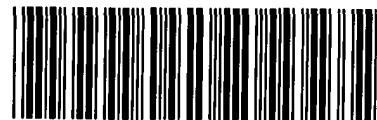


**REGISTERED NUMBER: 00201929 (England and Wales)**

**Strategic Report, Directors' Report and  
Financial Statements for the Year Ended 31 March 2019  
for  
Howarth Timber & Building Supplies  
Limited**

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for the Year Ended 31 March 2019**

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**Howarth Timber & Building Supplies  
Limited**

**Company Information  
for the Year Ended 31 March 2019**

<b>Directors:</b>	A P Howarth N D Howarth A P Turner
<b>Registered office:</b>	Prince Edward Works Pontefract Lane Leeds West Yorkshire LS9 0RA
<b>Registered number:</b>	00201929 (England and Wales)
<b>Auditors:</b>	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Strategic Report  
for the Year Ended 31 March 2019**

**Principal activities and business review**

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

**Business Model**

Howarth Timber & Building Supplies purchase 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.

**Review of business**

Turnover continued to grow on the back of an expanding product ranges, new branch openings, and some inflationary increases in product prices, with growth of 10.1% to £102.5m (2018: £93.1m). Operating profit, however, fell to £1.2m (2018: £2.1m). As was the case in the previous year, despite the overall increase in turnover, the marketplace remains very competitive and margins were slightly down on previous years. Increases in other costs, in particular staff costs, have outweighed the increase in absolute gross margin. During the year investments in subsidiary undertakings have been written off and impaired where the trade and assets of these businesses has been hived up into the company. In the previous year dividend income from shares in group undertakings was recognised, but the underlying investment was not written off.

**Key performance indicators**

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

<b>Financial</b>	<b>2019</b>	<b>2018</b>	<b>Measure</b>
Return on capital	0.03	0.14	Profit before tax/net assets
Current ratio	1.30	1.44	Current assets/current liabilities
Stock turnover	8.73	8.12	Turnover/stock
Days debtors	42	42	Trade debtor's/turnover x 365
Sales per employee (£000)	205	196	Turnover/average number of employees
Operating profit per employee (£000)	2.5	3.8	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. Management are focusing on both margin and overhead costs in the current year.

**Strategic Report  
for the Year Ended 31 March 2019**

**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.

**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.

**Brexit:** The UK Government triggered Article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, it is too early to conclude how the UK exit will affect the Company's business, customers and employees. The uncertainty caused by the failure to achieve a Brexit deal and further extension to the UK's exit date from the EU appears to be a factor in the slowing general economy and in particular the construction sector.

**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.

**On behalf of the board:**



.....  
N D Howarth - Director

Date: 6 December 2019

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Directors' Report  
for the Year Ended 31 March 2019**

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

**Principal activity**

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

**Dividends**

The directors do not recommend the payment of a dividend.

**Directors**

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

A P Howarth  
N D Howarth

Other changes in directors holding office are as follows:

Mrs D J Howarth - resigned 29 March 2019  
Mrs J A Howarth - resigned 29 March 2019  
J D Netherton-Sinclair - resigned 26 July 2018  
A P Turner - appointed 7 January 2019  
P R Grant - appointed 26 July 2018 - resigned 21 December 2018

**Political donations and expenditure**

There were no political contributions.

**Employees**

Howarth Timber and Buildings Supplies 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.

**Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report in pages 3 and 4

**Directors' Report  
for the Year Ended 31 March 2019**

**Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 they ought to have taken as a director to make themselves 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 auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**On behalf of the board:**

  
.....  
N D Howarth - Director

Date: 6 December 2019  
.....

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Statement of Directors' Responsibilities  
for the Year Ended 31 March 2019**

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



**Report of the Independent Auditors to the Members of  
Howarth Timber & Building Supplies  
Limited**

**Opinion**

We have audited the financial statements of Howarth Timber & Building Supplies Limited ("the company") for the year ended 31 March 2019 which comprise the Income Statement, Balance Sheet, statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Other matters**

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

## **Report of the Independent Auditors to the Members of Howarth Timber & Building Supplies Limited**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Report of the Independent Auditors to the Members of  
Howarth Timber & Building Supplies  
Limited**

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



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

Date: 12 DECEMBER 2019

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Income Statement  
for the Year Ended 31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>	2	102,472	93,063
Other operating income	3	<u>258</u>	<u>283</u>
		102,730	93,346
Raw materials and consumables		<u>(71,598)</u>	<u>(64,869)</u>
		31,132	28,477
Staff costs	4	(15,730)	(14,023)
Depreciation		(1,895)	(1,649)
Other operating expenses		<u>(12,265)</u>	<u>(10,723)</u>
<b>OPERATING PROFIT</b>		1,242	2,082
Income from shares in group undertakings	5	-	521
Interest receivable and similar income		<u>-</u>	<u>1</u>
		1,242	2,604
Amounts written off investments	6	<u>(602)</u>	<u>-</u>
		640	2,604
Interest payable and similar expenses	7	<u>(95)</u>	<u>(274)</u>
<b>PROFIT BEFORE TAXATION</b>	8	545	2,330
Tax on profit	10	<u>(35)</u>	<u>(485)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>510</u></u>	<u><u>1,845</u></u>

The notes form part of these financial statements

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Other Comprehensive Income  
for the Year Ended 31 March 2019**

	<b>Notes</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>PROFIT FOR THE YEAR</b>		<b>510</b>	<b>1,845</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>510</u></b>	<b><u>1,845</u></b>

The notes form part of these financial statements

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Balance Sheet  
31 March 2019**

	Notes	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	724	398
Tangible assets	12	11,454	11,069
Investments	13	114	561
		<u>12,292</u>	<u>12,028</u>
<b>CURRENT ASSETS</b>			
Stocks	14	11,849	11,461
Debtors	15	15,590	14,847
Cash at bank and in hand		1,303	51
		<u>28,742</u>	<u>26,359</u>
<b>CREDITORS</b>			
Amounts falling due within one year	16	(21,892)	(18,344)
<b>NET CURRENT ASSETS</b>		<u>6,850</u>	<u>8,015</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>19,142</u>	<u>20,043</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	17	(2,055)	(3,499)
<b>PROVISIONS FOR LIABILITIES</b>	20	(33)	-
<b>NET ASSETS</b>		<u>17,054</u>	<u>16,544</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	48	48
Retained earnings	22	17,006	16,496
<b>SHAREHOLDERS' FUNDS</b>		<u>17,054</u>	<u>16,544</u>

The financial statements were approved by the Board of Directors on 6 December 2019 and were signed on its behalf by:

  
.....  
N D Howarth - Director

The notes form part of these financial statements

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Statement of Changes in Equity  
for the Year Ended 31 March 2019**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 April 2017</b>	48	14,651	14,699
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>1,845</u>	<u>1,845</u>
<b>Balance at 31 March 2018</b>	<u>48</u>	<u>16,496</u>	<u>16,544</u>
<b>Changes in equity</b>			
Total comprehensive income	<u>-</u>	<u>510</u>	<u>510</u>
<b>Balance at 31 March 2019</b>	<u><u>48</u></u>	<u><u>17,006</u></u>	<u><u>17,054</u></u>

The notes form part of these financial statements

**Notes to the Financial Statements  
for the Year Ended 31 March 2019**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Howarth Timber and 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.

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:

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

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



**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**1. ACCOUNTING POLICIES (*continued*)**

**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.

**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 2019 and is due for renewal in January 2020. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors can confirm that the revolving credit facility was renewed at an increased facility level of £10m (previously £7.5m) on 5 August 2019 for a 3-year period through to 5 August 2022, ensuring that 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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**1. ACCOUNTING POLICIES (*continued*)**

**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.

**Non-derivative financial instruments**

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

**Trade and other debtors**

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

**Trade and other creditors**

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

**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.

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets (continued)**

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:

- Buildings 25 years
- Plant and equipment 7 years
- Fixtures and fitting 7 years

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

**Intangible assets**

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

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

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

**Amortisation**

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

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the 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.

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**1. ACCOUNTING POLICIES (continued)**

**Impairment excluding stocks and deferred tax assets (continued)**

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.

**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.

**Expenses**

**Operating lease payments**

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

**Finance lease payments**

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

**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.

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**Turnover**

Turnover is generated from the sale of imported timber products and is recognised in the income statement on the day the stock is delivered to customers. Figures for turnover are net of rebates paid and accruing to customers.

**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.

**Employee benefit costs**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

**2. TURNOVER**

	2019 £'000	2018 £'000
Sales of goods	<u>102,472</u>	<u>93,063</u>
Total turnover	<u><u>102,472</u></u>	<u><u>93,063</u></u>

**3. OTHER OPERATING INCOME**

	2019 £'000	2018 £'000
Marketing Support Received	207	221
Group Management Income	45	54
Rent Received	6	8
	<u><u>258</u></u>	<u><u>283</u></u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**4. EMPLOYEES AND DIRECTORS**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>13,712</b>	<b>12,184</b>
Social security costs	<b>1,187</b>	<b>1,089</b>
Other pension costs	<b>831</b>	<b>750</b>
	<b><u>15,730</u></b>	<b><u>14,023</u></b>

The average number of employees during the year was as follows:

	<b>2019</b>	<b>2018</b>
Production	<b>171</b>	<b>162</b>
Selling and Distribution	<b>231</b>	<b>219</b>
Administration	<b>98</b>	<b>93</b>
	<b><u>500</u></b>	<b><u>474</u></b>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	<b>-</b>	<b>90</b>
	<b><u>-</u></b>	<b><u>90</u></b>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £nil (2017: £89,712). He was a member of a closed defined benefit scheme and as such no contributions were paid into this scheme. All current Directors are remunerated in fellow Group undertakings. The estimated cost of services for the company is £100,000.

	<b>Number of directors</b>	
	<b>2019</b>	<b>2018</b>
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<b>-</b>	<b>1</b>
	<b><u>-</u></b>	<b><u>1</u></b>

**5. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Shares in group undertakings	<b>-</b>	<b>521</b>
	<b><u>-</u></b>	<b><u>521</u></b>

**6. AMOUNTS WRITTEN OFF INVESTMENTS**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts written off investments	<b>602</b>	<b>-</b>
	<b><u>602</u></b>	<b><u>-</u></b>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease charges payable in respect of finance leases	<b>60</b>	<b>54</b>
Bank interest	<b>35</b>	<b>220</b>
	<hr/>	<hr/>
Total interest payable and similar charges	<b>95</b>	<b>274</b>
	<hr/>	<hr/>

**8. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Cost of inventories recognised as expense	<b>71,598</b>	<b>64,869</b>
Hire of plant and machinery	<b>86</b>	<b>19</b>
Depreciation - owned assets	<b>1,984</b>	<b>1,707</b>
Profit on disposal of fixed assets	<b>(90)</b>	<b>(58)</b>
	<hr/>	<hr/>

**9. AUDITORS' REMUNERATION**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Audit of financial statements	<b>49</b>	<b>77</b>
	<hr/>	<hr/>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**10. TAXATION**

Recognised in the profit and loss account

	<b>2019</b>		<b>2018</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
UK corporation tax				
Current tax on income for the period	<b>19</b>		<b>399</b>	
Adjustments in respect of prior years	<b>(17)</b>			
	<hr/>		<hr/>	
Total current tax		<b>2</b>		<b>399</b>
Deferred tax				
Origination and reversal of temporary differences	<b>17</b>		<b>69</b>	
Reduction in tax rate	<b>-</b>		<b>17</b>	
Adjustments in respect of prior years	<b>16</b>		<b>-</b>	
	<hr/>		<hr/>	
Total deferred tax		<b>33</b>		<b>86</b>
Tax on profit on ordinary activities		<b>35</b>		<b>485</b>

Reconciliation of effective tax rate

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Profit for the year	<b>551</b>	<b>1,845</b>
Total tax expense	<b>35</b>	<b>485</b>
	<hr/>	<hr/>
Profit excluding taxation	<b>586</b>	<b>2,330</b>
Tax using the UK corporation tax rate of 19 %	<b>111</b>	<b>443</b>
Non-taxable expense in relation to investment write off	<b>106</b>	<b>-</b>
Non-taxable dividend income	<b>-</b>	<b>(99)</b>
Non-deductible expenses	<b>28</b>	<b>24</b>
Prior period adjustment	<b>(1)</b>	<b>17</b>
Adjust closing deferred tax to average rate of 17%	<b>(1)</b>	<b>-</b>
Deferred tax not recognised	<b>-</b>	<b>69</b>
Group losses utilised	<b>(271)</b>	<b>-</b>
Fixed asset timing differences	<b>63</b>	<b>31</b>
	<hr/>	<hr/>
Total tax expense	<b>35</b>	<b>485</b>

A reductions in the corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Deferred tax assets in respect of timing differences are expected to be recoverable against future taxable profits and are recognised according to the rate when the timing differences are expected to reverse.



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

11. INTANGIBLE FIXED ASSETS

	Goodwill £'000
<b>COST</b>	
At 1 April 2018	398
Reclassification/transfer	<u>326</u>
At 31 March 2019	<u>724</u>
<b>NET BOOK VALUE</b>	
At 31 March 2019	<u>724</u>
At 31 March 2018	<u>398</u>

During the year, the company acquired 100% of the ordinary share capital of Charm Trading Limited. Subsequently, the trade and assets of Charm Trading Limited were hived up in to the company and the goodwill element was transferred from investments to Goodwill.

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000
<b>COST</b>			
At 1 April 2018	6,322	3,647	4,448
Additions	1,104	115	293
Disposals	<u>-</u>	<u>(118)</u>	<u>(63)</u>
At 31 March 2019	<u>7,426</u>	<u>3,644</u>	<u>4,678</u>
<b>DEPRECIATION</b>			
At 1 April 2018	1,142	2,923	2,851
Charge for year	342	244	430
Eliminated on disposal	<u>-</u>	<u>(99)</u>	<u>(42)</u>
At 31 March 2019	<u>1,484</u>	<u>3,068</u>	<u>3,239</u>
<b>NET BOOK VALUE</b>			
At 31 March 2019	<u>5,942</u>	<u>576</u>	<u>1,439</u>
At 31 March 2018	<u>5,180</u>	<u>724</u>	<u>1,597</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019

12. TANGIBLE FIXED ASSETS - continued

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST</b>			
At 1 April 2018	6,662	552	21,631
Additions	800	133	2,445
Disposals	<u>(344)</u>	<u>-</u>	<u>(525)</u>
At 31 March 2019	<u>7,118</u>	<u>685</u>	<u>23,551</u>
<b>DEPRECIATION</b>			
At 1 April 2018	3,305	341	10,562
Charge for year	903	65	1,984
Eliminated on disposal	<u>(308)</u>	<u>-</u>	<u>(449)</u>
At 31 March 2019	<u>3,900</u>	<u>406</u>	<u>12,097</u>
<b>NET BOOK VALUE</b>			
At 31 March 2019	<u>3,218</u>	<u>279</u>	<u>11,454</u>
At 31 March 2018	<u>3,357</u>	<u>211</u>	<u>11,069</u>

13. INVESTMENTS

	Shares in group undertaki £'000
<b>COST</b>	
At 1 April 2018	561
Additions	481
Impairments	(602)
Reclassification/transfer	<u>(326)</u>
At 31 March 2019	<u>114</u>
<b>NET BOOK VALUE</b>	
At 31 March 2019	<u>114</u>
At 31 March 2018	<u>561</u>

During the year the Company acquired 100% of the ordinary share capital of Charm Trading Limited. The trade of this company was transferred to Howarth Timber and Building Supplies Limited during the year.

The impairment during the year relates to the write-down of the investments in subsidiaries whose trade and assets have been transferred to Howarth Timber and Building Supplies Limited.

**Howarth Timber & Building Supplies  
Limited (Registered number: 00201929)**

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**14. STOCKS**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Finished Goods	<u>11,849</u>	<u>11,461</u>
	<u><b>11,849</b></u>	<u><b>11,461</b></u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £72.6m (2018: £64.9m).

**15. DEBTORS**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	11,816	10,749
Amounts owed by group undertakings	3	-
Other debtors	546	268
Prepayments and accrued income	<u>3,225</u>	<u>3,829</u>
	<u><b>15,590</b></u>	<u><b>14,846</b></u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>-</u>	<u>1</u>
Aggregate amounts	<u><b>15,590</b></u>	<u><b>14,847</b></u>

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	318	972
Obligations under finance leases	535	487
Trade creditors	18,605	13,907
Amounts owed to group undertakings	1,766	1,722
Taxation and social security	470	333
Other creditors	-	27
Accruals	196	481
Corporation tax	<u>2</u>	<u>415</u>
	<u><b>21,892</b></u>	<u><b>18,344</b></u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Shares classified as liabilities	<b>2</b>	<b>2</b>
Obligations under finance leases	<b>548</b>	<b>1,189</b>
Bank loans	<b>1,505</b>	<b>2,308</b>
	<b><u>2,055</u></b>	<b><u>3,499</u></b>

**18. FINANCIAL LIABILITIES - BORROWINGS**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Creditors falling after more than one year</b>		
Obligations under finance leases	<b>548</b>	<b>1,189</b>
Bank loans	<b>1,505</b>	<b>2,308</b>
	<b><u>2,055</u></b>	<b><u>3,499</u></b>
 <b>Creditors falling in less than one year</b>		
Obligations under finance leases	<b>535</b>	<b>972</b>
Bank loans	<b>318</b>	<b>487</b>
	<b><u>853</u></b>	<b><u>1,459</u></b>

The bank loans are secured by mortgages on specific freehold properties.

**19. LEASING AGREEMENTS**

Finance lease liabilities are payable as follows:

	<b>Minimum lease payments 2019 £000</b>	<b>Interest 2019 £000</b>	<b>Princi pal 2019 £000</b>	<b>Minimum lease payments 2018 £000</b>	<b>Interest 2018 £000</b>	<b>Principal 2018 £000</b>
Less than one year	<b>566</b>	<b>31</b>	<b>535</b>	<b>487</b>	<b>9</b>	<b>478</b>
Between one and five years	<b>587</b>	<b>39</b>	<b>548</b>	<b>1,189</b>	<b>23</b>	<b>1,166</b>
	<b><u>1,153</u></b>	<b><u>70</u></b>	<b><u>1,083</u></b>	<b><u>1,676</u></b>	<b><u>32</u></b>	<b><u>1,644</u></b>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**20. PROVISIONS FOR LIABILITIES**

	2019 £'000	2018 £'000
Deferred tax	<u>33</u>	<u>-</u>

The balance relates to fixed asset timing differences.

**21. CALLED UP SHARE CAPITAL**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
2	Ordinary	£1	<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.

**22. RESERVES**

	Retained earnings £'000
At 1 April 2018	16,496
Profit for the year	<u>510</u>
At 31 March 2019	<u>17,006</u>

**23. CONTINGENT LIABILITIES**

The company and fellow subsidiary undertakings are party to unlimited multilateral company guarantees 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 2019 amounted to £812,000 (2018: £4,327,000).

**24. CAPITAL COMMITMENTS**

	2019 £'000	2018 £'000
Contracted but not provided for in the financial statements	<u>125</u>	<u>-</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 March 2019**

**25. ULTIMATE CONTROLLING PARTY**

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.