

Company Registration Number 00067025

HOWARTH TIMBER GROUP LIMITED  
FINANCIAL STATEMENTS  
31 MARCH 2023

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**ArmstrongWatson®**  
Accountants, Business & Financial Advisers

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**HOWARTH TIMBER GROUP LIMITED**

**COMPANY INFORMATION**

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

## HOWARTH TIMBER GROUP LIMITED

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## HOWARTH TIMBER GROUP LIMITED

### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

#### Introduction

The directors present the annual Strategic report for Howarth Timber Group for year ended 31 March 2023.

#### Principal activities and business review

*The Company's principal activity is that of a holding company. The Group's business activities include: the import, processing and sale of timber products; retail of timber and building supplies via merchant branches; and manufacture of roof trusses and flooring.*

#### Business Model

The Group supplies products to a wide range of customers within the construction market and creates value at different stages of that process. Each of the Group entities operate autonomously, with separate management teams.

Howarth Timber & Building Supplies Limited operates a Merchant network of 35 branches. This business purchases products competitively through industry buying Groups and sells them on, primarily to small builders who will most commonly be involved with small developments or in the repairs and renewals market. Through competitive pricing, quality products and excellent customer service, the business is one of the leading independent Merchants in the UK.

Arbor Forest Products Limited imports and processes timber products and has a reputation for quality product and a reliable distribution service meaning it is one of the leading distributors of timber, decking and associated products into the Merchant market place in the country. With facilities located adjacent to the Groups port facilities, run by New Holland Docks (Wharfingers) Ltd, it is able to control the import of timber products, and then via processing activities adds value before distributing product to the merchants across the UK and other industrial end users of timber products. As the market continues to evolve, approximately 70% of raw material is now treated or machined prior to resale. New Holland Dock, in addition to providing dock services to Arbor Forest Products, provides docking and storage services for other third parties.

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

The recently acquired Verdon Timber Group Limited, operates from 5 sites, with 2 timber merchant branches, 1 site producing specialist packing cases and solutions, and the other 2 sites providing timber products to other businesses in the construction and other industrials sector.

## HOWARTH TIMBER GROUP LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

#### Overall performance

Overall, the Group has had a strong year. Although both turnover and profit has decreased compared to the prior year, the Group's results for the year ended 31 March 2022, were exceptional as reported in last year's accounts due to the increased demand for timber and building supplies in this period and rising prices, especially on timber.

Demand by sector and product has been mixed during the year, with the landscaping season, which has been very strong for the last 2 years, being depressed, likely due to a combination of both economic uncertainty and also due to the increased demand over the last 2 years meaning landscaping projects had been brought forward. Areas of the business supporting new housebuilding have seen a very strong performance as this sector continued to perform strongly. The other major factor impacting sales for the Group was the decrease in timber prices, which started to decline in autumn 2021, with a brief increase in March 2022, before further reductions throughout 2022. This has impacted sales values across each business unit and also actual gross margin achieved.

Group revenue has decreased by 12% to £295.8m (2022: £337.3m), due to the impact of timber price deflation and decreased in volume in some areas of the Group. Operating profit from continuing operations has decreased by 38% to £25.1m (2022: £40.7m). This reduction in operating profit is as a result of the falling sales value, but also due to the market returning to more normal trading conditions post covid, where both the timber price inflation and restrictions in supply had boosted sales and gross margin % on certain products.

Timber prices and other building materials which have seen high volatility over in previous years, are now more stable going into the 2023/24 financial year.

The Group has made further investments during the year during the year in order to provide both increased production capacity and strategic acquisitions to provide further growth opportunities in the future. IN November 2022, Howarth Timber & Building Supplies acquired Ernest Bentely & Sons Limited, a builders merchant located in Manchester to strengthen the north west region. In March 2023, the Group acquired Verdon Timber Group Limited, an established timber business located in Leicestershire with 2 merchant branches and 3 other sites providing timber products to the construction and industrials sector. This acquisition brings new product sectors and strengthens product streams the Group already operates in with greater Geographical reach. In addition, further investment in production at Arbor first products has been made with the replacement of an existing saw line.

In order to further drive the Group's sustainability journey, the Group has installed solar PV panels at suitable freehold sites which provide annual generation of just over 1.6m kWh. This will provide clean energy for a proportion of the Groups electricity needs and also help to prevent a element of volatility due to changing energy prices.

The Group's defined benefit pension scheme which has been closed to future accrual since 2009 reached buy out triggers in October 2022, and as a result, in March 2023 the liabilities for all remaining members of the scheme, not covered by any existing insurance policies, were secured with an insurance policy. The trustees of the Scheme are now progressing to move to a buyout of the scheme in 2023/24. Details of the assets and liabilities of the scheme are provided in note 30 to the accounts and this move to buy out removes the associated risks from the defined benefit pension scheme.

## HOWARTH TIMBER GROUP LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

#### Divisional performance

The merchant business represented 48% of total Group turnover. Turnover at the timber and building supplies business increased 2% during the year to £143.6m (2022: £140.4m) and operating profit decreased to £5m (2022: £7.0m). Sales growth at existing branches was limited due to falling timber prices during the year, and the disappointing landscaping season which is usually a strong sector for the business. Other building materials did see further inflation which helped to offset some of the reduction in sales value. In addition the company benefitted from a full year of trading from the previously acquired business Boards Cottingham during the year. Operating profits were impacted by a more competitive market place and mix of product sold during the year due to both timber deflation and other product deflation, plus the increased overhead cost, especially in relation to staff costs due to continued pressure on wage inflation.

The Arbor Forest Products import business saw turnover decrease by 27% year on year to £126.0m, from £171.7m in 2022, driven by high timber price deflation and decreased volume, especially on more commoditised timber products. Operating profit fell from £29.5m in 2022 to £15.4m for the current year. Timber prices had started to fall towards the end of 2021, with a small increase in March 2022 as a result of the situation in Ukraine, before continuing to fall throughout the rest of 2022. This has therefore impacted both the sales value and profitability.

Howarth Timber Engineered Solutions, the Truss & I-Beam business, saw turnover increase by 12% to £35.1m (2022: £31.4m) as a result of the continued strong performance of the new house build sector during the year. Operating profit increased to £3.7m (2022: £3.0m) on the back of the higher turnover and continued focus on manufacturing efficiency.

The New Holland Dock Company operating the Group's docking facility saw revenues increase marginally to £3.2m (2022: £3.1m) and reported a similar operating profit of £0.6m (2022: £0.6m).

#### Future prospects

The general economic outlook has been more pessimistic in 2022 with increased energy costs, inflation and higher interest rates all having a negative impact. The outlook for the construction market is for a contraction in new housing starts in 2023 and a decline in the repair, maintenance and investment sector which we sell into, and this will present a more challenging trading environment as we go through 2023 in to 2024. The Group is in a strong position as we head into this more difficult trading period, and will continue to seek out opportunities to grow profitable product areas.

The Group has made significant investments over the last 2 years, with company acquisitions and investment in production facilities. The Group will ensure that these acquisitions are bedded into the Group in 2023/24 and further strategic investment opportunities will also be considered. The Group continues to look at new ways of increasing market share either through new products or new ways of delivering to the market and are confident of delivering another good set of results for the forthcoming year.

## HOWARTH TIMBER GROUP LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

#### Financial key performance indicators

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

Financial	2023	2022	Measure
Return on capital	0.18	0.34	Profit before tax/ net assets
Current ratio	2.34	2.45	Current assets/ current liabilities
Stock turnover	7.56	8.00	Turnover/ stock
Days debtors	51.6	54.9	Trade debtors/ turnover x 365
Sales per employee (£000)	290	359	Turnover/average number of employees
Operating profit per employee (£000)	24.37	43.52	Operating profit/average number of employees

The above ratios reflect the good performance of the business in the year, with all ratios, except stock turnover seeing improvement. The ratios also demonstrate the underlying strength of the balance sheet. Key performance ratios are used to monitor the performance of all the business units and are monitored at Board level at monthly business unit board meetings.

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

**HOWARTH TIMBER GROUP LIMITED**

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2023**

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

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

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

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

**Principal risks and uncertainties**

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

- Foreign currency exchange: the Group closely monitors short, medium and long-term exchange rates and has a policy of hedging against currency fluctuations relating to transactions. This is primarily an issue in relation to the importing of timber from Europe and decking from the US, although many of the contracts are now set in sterling.
- Raw material availability and prices: the Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.
- Competitive risk: The Group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations and proactive approach to industry changes by management reduces the possible effect of action by any single competitor.
- Economic risk: The current increase in energy costs, high inflation and economic outlook could impact future demand. The new housing market is forecast to remain stable, but this could change due to higher interest rates and the current cost of living crisis. The group monitors the impact of this.

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



.....  
**A P Howarth**  
Director

Date: 25.9.23



## HOWARTH TIMBER GROUP LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

#### Results and dividends

The profit for the year, after taxation, amounted to £19,896 thousand (2022 - £32,516 thousand).

Dividends of £4,790,000 (2022: £2,800,000) were paid during the year. The directors do not recommend the payment of a final dividend.

#### Directors

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

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

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

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Group has a strong balance sheet with total assets of £196.0m, net assets of £136.5m, net current assets of £70.5m, and net funds of £29.2m as at the 31 March 2023. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report & Financial Statements. This area is also covered the notes to the financial statements, see section 2.3 in the accounting policies section.

#### Business Conduct and Decision Making

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

# HOWARTH TIMBER GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

### S172 Companies Act 2006

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

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

## HOWARTH TIMBER GROUP LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

#### Greenhouse gas emissions, energy consumption and energy efficiency action

##### Streamlined Energy and Carbon Reporting ("SECR")

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

		Year ended 31 March	
		2023	2022
Energy Consumption (kWh)	Gas (Scope 1)	858,319	879,073
	Other Fuels (Scope 1)	502,706	467,231
	Electricity (Scope 2)	8,555,060	9,282,117
	Transport Fuel (Scope 1 - Company Fleet)	20,960,775	20,444,088
	<b>Total</b>	<b>30,876,860</b>	<b>31,072,509</b>
Emissions (tCO <sub>2</sub> e)	Gas (Scope 1)	157	160
	Other Fuels (Scope 1)	121	120
	Electricity (Scope 2)	1,654	1,795
	Transmission & Distribution (Scope 3)	151	164
	Transport Fuel (Scope 1 - Company Fleet)	5,046	5,003
	<b>Total (All Scopes)</b>	<b>7,130</b>	<b>7,243</b>

##### Intensity Ratio

Due to the diverse range of services carried out by Group, ranging from timber processing and manufacture, importing and timber and building supplies merchanting, the intensity metric of kg CO<sub>2</sub> per turnover was chosen.

	2023	2022
Normalisation metric	295,816,000	337,347,000
Intensity Ratio	0.02410	0.02147

##### Methodology

Methodology follows best practise and is based on HM Government Environmental Reporting Guidelines March 2019. All emissions factors are taken from UK Government GHG Conversion Factors for Company Reporting, version 2.0, 2022 factors. Scope 1 and Scope 2 consumption data (gas and electricity) taken from validated and verified Utility Suppliers invoices. Scope 1 and 3 (transport) data taken from internal tracking systems, and applicable emissions factors applied; Company fleet classed as scope 1 emissions as defined in HM Government Environmental Reporting Guidelines March 2019. Please note that the FY22 calculation are inclusive of T&D.

##### Energy Efficiency Action Plan

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

- Continued pro-active use of energy monitoring system (Clearvue).
- Installation of over 2MW of PV panels across numerous sites.
- Continue to look at the feasibility of installing a wind-turbine.
- Company cars continue to be replaced with hybrid or electric vehicles.
- Increasing the use of electrically powered side-loaders.

**HOWARTH TIMBER GROUP LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2023**

**Employees**

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

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

**Disclosure of information to auditor**

**Post balance sheet events**

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

**Auditor**

Under section 487(2) of the Companies Act 2006, Armstrong Watson Audit Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



.....  
**A P Howarth**  
Director

Date: 25.9.23

## **HOWARTH TIMBER GROUP LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023**

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

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

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

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

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

## **HOWARTH TIMBER GROUP LIMITED**

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

#### **Opinion**

We have audited the financial statements of Howarth Timber Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, Company Balance Sheet, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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

## HOWARTH TIMBER GROUP LIMITED

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

#### Other information

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

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

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

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

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## HOWARTH TIMBER GROUP LIMITED

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Performed analytical procedures to identify any unusual or unexpected relationships;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias;
- tested journal entries to identify unusual transactions; and

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

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

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



**HOWARTH TIMBER GROUP LIMITED**

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

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

**Use of our report**

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



Simon Turner (Senior Statutory Auditor)

for and on behalf of

**Armstrong Watson Audit Limited**

Chartered Accountants & Statutory Auditors

Leeds

Date: 25-9-2023

**HOWARTH TIMBER GROUP LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>Note</b>	<b>2023 £000</b>	<b>2022 £000</b>
Turnover	4	<b>295,816</b>	337,347
Cost of sales		<b>(198,042)</b>	(225,863)
<b>Gross profit</b>		<b>97,774</b>	111,484
Administrative expenses		<b>(73,121)</b>	(70,794)
Other operating income		<b>226</b>	217
<b>Operating profit</b>	6	<b>24,879</b>	40,907
Interest receivable and similar income	10	<b>327</b>	1
Interest payable and similar expenses	11	<b>(147)</b>	(224)
<b>Profit before taxation</b>		<b>25,059</b>	40,684
Tax on profit		<b>(5,163)</b>	(8,168)
<b>Profit for the financial year</b>		<b>19,896</b>	32,516
Actuarial gains on defined benefit pension scheme		<b>291</b>	1,559
Tax relating to components of other comprehensive income		<b>(55)</b>	(528)
<b>Other comprehensive income for the year</b>		<b>236</b>	1,031
<b>Total comprehensive income for the year</b>		<b>20,132</b>	33,547
<b>Profit for the year attributable to:</b>			
Owners of the parent Company		<b>19,896</b>	32,516
		<b>19,896</b>	32,516

There were no recognised gains and losses for 2023 or 2022 other than those included in the consolidated statement of comprehensive income.

The notes on pages 23 to 57 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED  
REGISTERED NUMBER: 00067025

CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
<b>Fixed assets</b>			
Intangible assets	15	12,293	1,174
Tangible assets	16	60,793	47,718
		<u>73,086</u>	<u>48,892</u>
<b>Current assets</b>			
Stocks	18	39,135	42,279
Debtors: amounts falling due within one year		49,640	58,638
Cash at bank and in hand	20	34,320	27,202
		<u>123,095</u>	<u>128,119</u>
Creditors: amounts falling due within one year		(52,639)	(52,379)
<b>Net current assets</b>		<u>70,456</u>	<u>75,740</u>
<b>Total assets less current liabilities</b>		<u>143,542</u>	<u>124,632</u>
Creditors: amounts falling due after more than one year		(3,758)	(4,895)
<b>Provisions for liabilities</b>			
Deferred taxation	25	(5,047)	(2,248)
Other provisions	26	(599)	(533)
		<u>(5,646)</u>	<u>(2,781)</u>
Pension asset		2,345	2,345
<b>Net assets</b>		<u>136,483</u>	<u>119,301</u>
<b>Capital and reserves</b>			
Called up share capital	27	2	2
Share premium account	28	407	407
Capital redemption reserve	28	298	298
Profit and loss account	28	135,776	118,594
		<u>136,483</u>	<u>119,301</u>

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



A P Howarth  
Director

25.9.2023

The notes on pages 23 to 57 form part of these financial statements.

HOWARTH TIMBER GROUP LIMITED  
REGISTERED NUMBER: 00067025

COMPANY BALANCE SHEET  
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
<b>Fixed assets</b>			
Intangible assets	15	-	-
Tangible assets	16	16,146	14,212
Investments	17	18,379	1,329
		<u>34,525</u>	<u>15,541</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year		1,437	2,643
		<u>1,437</u>	<u>2,643</u>
Creditors: amounts falling due within one year		(24,582)	(6,888)
<b>Net current liabilities</b>		<u>(23,145)</u>	<u>(4,245)</u>
<b>Total assets less current liabilities</b>		<u>11,380</u>	<u>11,296</u>
Creditors: amounts falling due after more than one year		(1,264)	(1,483)
<b>Provisions for liabilities</b>			
Deferred tax		(1,102)	(1,026)
		<u>(1,102)</u>	<u>(1,026)</u>
Pension asset		2,345	2,345
<b>Net assets</b>		<u>11,359</u>	<u>11,132</u>
<b>Capital and reserves</b>			
Called up share capital	27	2	2
Share premium account	28	407	407
Capital redemption reserve	28	192	192
Profit and loss account carried forward		10,758	10,531
		<u>11,359</u>	<u>11,132</u>

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

  
A P Howarth  
Director

25.9.2023

**HOWARTH TIMBER GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
<b>At 1 April 2021</b>	<b>2</b>	<b>407</b>	<b>298</b>	<b>89,838</b>	<b>90,545</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	32,516	32,516
Actuarial gain on defined benefit pension scheme	-	-	-	1,559	1,559
Tax relating to components of other comprehensive income	-	-	-	(528)	(528)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,031</b>	<b>1,031</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,547</b>	<b>33,547</b>
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(4,791)	(4,791)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,791)</b>	<b>(4,791)</b>
<b>At 1 April 2022</b>	<b>2</b>	<b>407</b>	<b>298</b>	<b>118,594</b>	<b>119,301</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	19,896	19,896
Actuarial gain on defined benefit pension scheme	-	-	-	291	291
Tax relating to components of OCI	-	-	-	(55)	(55)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,132</b>	<b>20,132</b>
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(2,950)	(2,950)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,950)</b>	<b>(2,950)</b>
<b>At 31 March 2023</b>	<b>2</b>	<b>407</b>	<b>298</b>	<b>135,776</b>	<b>136,483</b>

The notes on pages 23 to 57 form part of these financial statements.

**HOWARTH TIMBER GROUP LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Capital redemption reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
<b>At 1 April 2021</b>	<b>2</b>	<b>407</b>	<b>192</b>	<b>9,200</b>	<b>9,801</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	5,091	5,091
Actuarial gain on defined benefit pension scheme	-	-	-	1,559	1,559
Tax relating to components of other comprehensive income	-	-	-	(528)	(528)
<b>Other comprehensive income for the year</b>	-	-	-	1,031	1,031
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(4,791)	(4,791)
<b>At 31 March 2022</b>	-	-	-	(4,791)	(4,791)
<b>At 1 April 2022</b>	<b>2</b>	<b>407</b>	<b>192</b>	<b>10,531</b>	<b>11,132</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,941	2,941
Actuarial gain on defined benefit pension scheme	-	-	-	291	291
Tax relating to components of OCI	-	-	-	(55)	(55)
<b>Other comprehensive income for the year</b>	-	-	-	236	236
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(2,950)	(2,950)
<b>Total transactions with owners</b>	-	-	-	(2,950)	(2,950)
<b>At 31 March 2023</b>	<b>2</b>	<b>407</b>	<b>192</b>	<b>10,758</b>	<b>11,359</b>

The notes on pages 23 to 57 form part of these financial statements.

**HOWARTH TIMBER GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	19,896	32,516
<b>Adjustments for:</b>		
Amortisation of intangible assets	399	181
Depreciation of tangible assets	6,728	6,199
Profit on disposal of tangible assets	(549)	(387)
Interest paid	147	213
Interest received	(327)	-
Taxation paid	(3,482)	(7,130)
Decrease/(increase) in stocks	5,565	(9,425)
Decrease/(increase) in debtors	12,075	(7,024)
(Decrease)/increase in creditors	(4,508)	1,924
Increase in provisions	72	117
Increase/(decrease) in net pension assets/liabilities	236	(605)
Corporation tax charge	5,163	8,168
<b>Net cash generated from operating activities</b>	<b>41,415</b>	<b>24,747</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(16,977)	(9,004)
Sale of tangible fixed assets	578	498
Interest received	327	-
Acquisition of subsidiaries	(13,854)	(1,796)
<b>Net cash from investing activities</b>	<b>(29,926)</b>	<b>(10,302)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans	(421)	(653)
Repayment of/new finance leases	(853)	2,297
Dividends paid	(2,950)	(4,790)
Interest paid	(147)	(204)
Exchange rate fluctuations on cash held	-	3
<b>Net cash used in financing activities</b>	<b>(4,371)</b>	<b>(3,347)</b>

**HOWARTH TIMBER GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2023**

	<b>2023 £000</b>	<b>2022 £000</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,118</b>	<b>11,098</b>
Cash and cash equivalents at beginning of year	27,202	16,104
<b>Cash and cash equivalents at the end of year</b>	<b>34,320</b>	<b>27,202</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	34,320	27,202
	<b>34,320</b>	<b>27,202</b>

The notes on pages 23 to 57 form part of these financial statements.



# **HOWARTH TIMBER GROUP LIMITED**

## **CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 MARCH 2023**

	At 1 April 2022 £000	Cash flows £000	At 31 March 2023 £000
Cash at bank and in hand	27,202	7,118	34,320
Debt due after 1 year	(2,331)	421	(1,910)
Debt due within 1 year	(408)	(13)	(421)
Finance leases	(3,653)	860	(2,793)
	<u>20,810</u>	<u>8,386</u>	<u>29,196</u>

The notes on pages 23 to 57 form part of these financial statements.

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 1. General information

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

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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

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

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

Exemptions for qualifying entities under FRS 102

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

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

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

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

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

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.3 Going Concern

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

The Group has recognised a net profit after tax from continuing activities of £19.8m (2022: £32.5m) has current assets which exceed current liabilities by £70.5m, net assets of £136m and is in a net funds position as at 31 March 2023.

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

The Groups Net funds as at 31 March 2023 were £29.2m, comprising £34.3m of cash net of £5.1m of asset finance and fixed term mortgage backed loans.

The directors have prepared forecasts for the Group for a period to 31 March 2025. These forecasts have then been further sensitised for severe, but plausible downside scenarios, in relation to a further decline in sales, an increase in overhead costs and increased working capital requirements.

These forecasts and projections show that the Group is expected to be able to operate within the level of its current facility and in the view of the directors there is significant headroom under the current facility that would enable the Group to trade in the event of the severe, but plausible downside risks which have been modelled.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of signing of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

##### 2.4 Revenue Recognition

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

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

###### i. Sale of goods – B2B

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.4 Revenue Recognition (Continued)

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

##### ii. Sale of goods – retail

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

##### iii. Sale of goods – internet based transactions

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

##### iv. Sale of services

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

##### 2.5 Operating leases: the Group as lessee

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

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

##### 2.6 Interest income

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

##### 2.7 Finance costs

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

##### 2.8 Borrowing costs

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

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.9 Employee benefits

###### *Defined contribution plans*

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

###### *Defined benefit plans*

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

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

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

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

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

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

###### *Short-term benefits*

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.10 Taxation

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

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

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

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

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

##### 2.11 Intangible assets

###### Goodwill

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

###### Other intangible assets

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

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments are assessed at each balance sheet date to determine whether there is any indication that the investments are impaired. Where there is any indication that an investment may be impaired, the carrying value of the investment is tested for impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an investment's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, investments that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

##### 2.13 Stocks

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

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

##### 2.14 Debtors

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

##### 2.15 Cash and cash equivalents

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

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

##### 2.16 Creditors

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.17 Provisions for liabilities

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

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

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

##### 2.18 Dividends

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

##### 2.19 Financial Instruments

###### Financial assets

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

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

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

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

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

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

###### Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group



## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

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

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

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

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

#### Offsetting

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

#### 2.20 Tangible Assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

##### Land and buildings

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

##### Plant and equipment, vehicles and fixtures and fittings

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

##### Depreciation and residual values

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

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

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

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

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

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

#### 2.23 Tangible fixed assets (continued)

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

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

#### Assets in course of construction

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

#### 2.21 Related Parties

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

- (i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- (ii) the company and the party are subject to common control;
- (iii) the party is an associate of the company or a joint venture in which the company is a venturer;
- (iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;

**HOWARTH TIMBER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**2. Accounting policies (continued)**

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or

(vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 2. Accounting policies (continued)

##### 2.22 Leased Assets

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

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

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

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

##### 2.23 Foreign Currencies

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

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

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

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

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

There have been no assumptions as to recoverability of assets or size of liabilities beyond those set out in note 2 with regard to the preparation of these accounts. The directors believe that all assets are fully recoverable as at 31 March 2023.

##### **Pension assumptions (note 30)**

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

The directors recognise that small changes to assumptions in actuarial valuations can impact the level of surplus or liability. Sensitivity analysis of key assumptions in note 30 address the impact of this risk.

The directors have applied judgement in assessing the recoverability of any defined benefit pension scheme surplus resulting in the recognition of an asset ceiling of £2,345,000 in the year. This judgement was based upon the guaranteed return on insured assets with the related pension scheme following the buy in.

##### **Customer and supplier rebates (note 18 & 20)**

The directors consider that material estimates and judgements are applied in assessing the valuation of customer rebates payable and supplier rebates receivable. The directors assess the estimated rebate based on volumes purchased/sold in the year and the expected purchases/sales for the period of the rebate.

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

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

##### **Intangible assets (note 14)**

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

# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 4. Turnover

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

	2023 £000	2022 £000
Sale of goods	295,816	337,347
	<u>295,816</u>	<u>337,347</u>

All turnover arose within the United Kingdom.

### 5. Other operating income

	2023 £000	2022 £000
Rents received	226	217
	<u>226</u>	<u>217</u>

### 6. Operating profit

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

	2023 £000	2022 £000
Depreciation	6,728	6,199
Amortisation	399	181
Exchange differences	(292)	(46)
Other operating lease rentals	1,325	1,269
	<u>1,325</u>	<u>1,269</u>

### 7. Auditor's remuneration

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2023 £000	2022 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	98	92
Fees payable to the Group's auditor and its associates in respect of:		
All other services	18	18
	<u>18</u>	<u>18</u>

# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 8. Employees

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

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Wages and salaries	33,048	33,836	1,638	3,844
Social security costs	3,217	3,046	195	206
Pension costs	2,127	862	301	(344)
	<u>38,392</u>	<u>37,744</u>	<u>2,134</u>	<u>3,706</u>

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

	2023 No.	2022 No.
Production	460	374
Selling and distribution	409	371
Administration	152	156
	<u>1,021</u>	<u>901</u>

### 9. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	988	3,025
Company contributions to defined contribution pension schemes	129	94
	<u>1,117</u>	<u>3,119</u>

During the year retirement benefits were accruing to 3 directors (2022 - 3) respect of defined contribution pension schemes.

The highest paid director received remuneration of £436,000 (2022 - £1,429,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2022 - £NIL)

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £NIL (2022 - £NIL)

**HOWARTH TIMBER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**10. Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<b>327</b>	<b>1</b>
	<u><b>327</b></u>	<u><b>1</b></u>

**11. Interest payable and similar expenses**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Net bank interest (receivable)/payable	<b>70</b>	<b>124</b>
Other interest payable	<b>77</b>	<b>100</b>
	<u><b>147</b></u>	<u><b>224</b></u>

**12. Taxation**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>2,443</b>	<b>6,731</b>
Adjustments in respect of previous periods	<b>281</b>	<b>26</b>
	<u><b>2,724</b></u>	<u><b>6,757</b></u>
<b>Total current tax</b>	<u><b>2,724</b></u>	<u><b>6,757</b></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>2,439</b>	<b>1,411</b>
<b>Total deferred tax</b>	<u><b>2,439</b></u>	<u><b>1,411</b></u>
<b>Tax on profit</b>	<u><b>5,163</b></u>	<u><b>8,168</b></u>



# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 12. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
Profit on ordinary activities before tax	25,059	40,685
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	4,761	7,730
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	23	138
Non qualifying depreciation	274	198
Utilisation of tax losses	-	(41)
Adjustments to tax charge in respect of prior periods	374	29
Capital allowances super deduction	(674)	(309)
Losses not previously recognised	(176)	-
Change in rates of deferred tax to 25%	581	423
<b>Total tax charge for the year</b>	<b>5,163</b>	<b>8,168</b>

#### Factors that may affect future tax charges

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

### 13. Dividends

	2023 £000	2022 £000
Dividends paid on qualifying ordinary shares	2,950	4,791
	<b>2,950</b>	<b>4,791</b>

### 14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £2,941,000 (2022 - £5,091,000).

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

15. Intangible assets

Group

	Goodwill £000
<b>Cost</b>	
At 1 April 2022	2,639
Additions	11,518
At 31 March 2023	<u>14,157</u>
<b>Amortisation</b>	
At 1 April 2022	1,465
Charge for the year on owned assets	399
At 31 March 2023	<u>1,864</u>
<b>Net book value</b>	
At 31 March 2023	<u>12,293</u>
At 31 March 2022	<u>1,174</u>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

15. Intangible assets (continued)

Company

	Software £000
<b>Cost</b>	
At 1 April 2022	40
At 31 March 2023	40
<b>Amortisation</b>	
At 1 April 2022	40
At 31 March 2023	40
<b>Net book value</b>	
At 31 March 2023	-
At 31 March 2022	-

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

16. Tangible fixed assets

Group

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2022	50,974	45,384	6,673	103,031
Additions	4,091	10,199	2,687	16,977
Acquisition of subsidiary	2,776	74	-	2,850
Disposals	-	(3,392)	(503)	(3,895)
At 31 March 2023	57,841	52,265	8,857	118,963
<b>Depreciation</b>				
At 1 April 2022	18,530	32,066	4,716	55,312
Charge for the year on owned assets	1,294	4,334	593	6,221
Charge for the year on financed assets	-	465	42	507
Disposals	-	(3,368)	(502)	(3,870)
At 31 March 2023	19,824	33,497	4,849	58,170
<b>Net book value</b>				
At 31 March 2023	38,017	18,768	4,008	60,793
At 31 March 2022	32,444	13,317	1,957	47,718

Leased plant and machinery

At 31 March 2023 the net carrying amount of leased plant and machinery was £2,349,000 (2022: £1,957,000).

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

16. Tangible fixed assets (continued)

Company

	Freehold property £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2022	14,755	2,058	16,813
Additions	2,072	548	2,620
At 31 March 2023	16,827	2,606	19,433
<b>Depreciation</b>			
At 1 April 2022	1,008	1,593	2,601
Charge for the year on owned assets	465	221	686
At 31 March 2023	1,473	1,814	3,287
<b>Net book value</b>			
At 31 March 2023	15,354	792	16,146
At 31 March 2022	13,747	465	14,212

# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 17. Fixed asset investments

#### Company

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 April 2022	7,186
Additions	17,050
At 31 March 2023	<u>24,236</u>
<b>Impairment</b>	
At 1 April 2022	5,857
At 31 March 2023	<u>5,857</u>
<b>Net book value</b>	
At 31 March 2023	<u>18,379</u>
At 31 March 2022	<u>1,329</u>

During the year dividends of £2,936,000 (2022 - £1,445,000) were received from subsidiary undertakings.

# **HOWARTH TIMBER GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

### **17. Fixed asset investments (continued)**

#### **Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Arbor Forest Products Limited	The Lincoln Castle, Barrow Road, New Holland, Barrow Upon Humber, North Lincolnshire, DN19 7RR	Ordinary	100%
New Holland Dock Wharfingers Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Howarth Timber & Building Supplies Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Howarth Timber Engineered Solutions Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Builders Store Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Boards (Cottingham) Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Verdon Timber Group Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
VHL 2018 Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Verdon Holdings Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Ernest Bentley & Sons Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%
Bentley Holdings Bowden Limited	Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA	Ordinary	100%

From the above listing of subsidiary undertakings Boards (Cottingham) Limited, Ernest Bentley Limited and Bentley Holdings Bowden Limited are exempt from audit by virtue of S479A of The Companies Act 2006.

**HOWARTH TIMBER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**18. Stocks**

	<b>Group 2023 £000</b>	<b>Group 2022 £000</b>
Raw materials and consumables	4,012	3,086
Work in progress (goods to be sold)	59	57
Finished goods and goods for resale	35,064	39,136
	<u><b>39,135</b></u>	<u><b>42,279</b></u>

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

**19. Debtors**

	<b>Group 2023 £000</b>	<b>Group 2022 £000</b>	<b>Company 2023 £000</b>	<b>Company 2022 £000</b>
Trade Debtors	41,837	50,733	4	4
Amount owed by group undertakings	-	-	241	1,047
Other Debtors	(19)	384	58	45
Prepayments & accrued income	7,665	7,476	1,134	1,069
Corporation tax debtor	157	-	-	478
Deferred tax	-	45	-	-
	<u><b>49,640</b></u>	<u><b>58,638</b></u>	<u><b>1,437</b></u>	<u><b>2,643</b></u>

**20. Cash and cash equivalents**

	<b>Group 2023 £000</b>	<b>Group 2022 £000</b>	<b>Company 2023 £000</b>	<b>Company 2022 £000</b>
Cash at bank and in hand	34,320	27,202	-	-
Bank overdrafts	-	-	(17,856)	(3,914)
	<u><b>34,320</b></u>	<u><b>27,202</b></u>	<u><b>(17,856)</b></u>	<u><b>(3,914)</b></u>



# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 21. Creditors: Amounts falling due within one year

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank overdrafts	-	-	17,856	3,914
Bank loans	421	408	213	208
Trade creditors	37,988	33,453	2,282	174
Corporation tax	-	289	226	-
Other taxation and social security	3,590	7,943	16	2,205
Obligations under finance lease and hire purchase contracts	947	956	-	-
Other creditors	1,894	811	1,386	-
Accruals and deferred income	7,799	8,519	403	387
Owed to group undertakings	-	-	2,200	-
	<b>52,639</b>	<b>52,379</b>	<b>24,582</b>	<b>6,888</b>

### 22. Creditors: Amounts falling due after more than one year

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank loan	1,910	2,331	1,264	1,483
Preference shares	2	2	-	-
Net obligations under finance leases and hire purchase contracts	1,846	2,562	-	-
	<b>3,758</b>	<b>4,895</b>	<b>1,264</b>	<b>1,483</b>

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

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

23. Loans

Analysis of the maturity of loans is given below:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
<b>Amounts falling due within one year</b>				
Bank loans	424	408	213	208
	<u>424</u>	<u>408</u>	<u>213</u>	<u>208</u>
<b>Amounts falling due 1-2 years</b>				
Bank loans	1,502	1,751	856	903
	<u>1,502</u>	<u>1,751</u>	<u>856</u>	<u>903</u>
<b>Amounts falling due after more than 5 years</b>				
Bank loans	408	580	408	580
	<u>408</u>	<u>580</u>	<u>408</u>	<u>580</u>
	<u>2,334</u>	<u>2,739</u>	<u>1,477</u>	<u>1,691</u>

24. Hire purchase and finance leases

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

	Group 2023 £000	Group 2022 £000
Within one year	947	956
Between 1-5 years	1,846	2,562
	<u>2,793</u>	<u>3,518</u>

Amounts due in relation to hire purchase and finance leases are secured against the asset to which they relate.

# HOWARTH TIMBER GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

### 25. Deferred taxation

#### Group

	2023 £000	2022 £000
At beginning of year	2,248	262
Charged to profit or loss	2,525	1,459
Acquired under business combination	329	(4)
Recognised in equity	(55)	531
<b>At end of year</b>	<b>5,047</b>	<b>2,248</b>

#### Company

	2023 £000	2022 £000
At beginning of year	1,026	181
Charged to profit or loss	131	314
Recognised in equity	(55)	531
<b>At end of year</b>	<b>1,102</b>	<b>1,026</b>

The provision for deferred taxation is made up as follows:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Accelerated capital allowances	4,151	1,352	206	206
Employee benefits	896	896	896	820
	<b>5,047</b>	<b>2,248</b>	<b>1,102</b>	<b>1,026</b>

**HOWARTH TIMBER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**26. Provisions**

**Group**

	<b>Remedial works and guarantee provisions £000</b>
At 1 April 2022	531
Charged to profit or loss	71
<b>At 31 March 2023</b>	<b>602</b>

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 27. Share capital

Group and Company

	2023 £000	2022 £000
<b>Allotted, called up and fully paid</b>		
1,586 (2022 - 1,586) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

#### 28. Reserves

##### Share premium account

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

##### Capital redemption reserve

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

##### Profit and loss account

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

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 29. Business combinations

##### **Bentley Holdings (Bowden) Limited**

On 1 November 2022, Howarth Timber and Building Supplies Limited acquired 100% of the ordinary share capital of Ernest Bentley & Sons Limited via the acquisition of the holding company Bentley Holdings (Bowden) Ltd for a total consideration of £2,733,000, payable in cash.

Ernest Bentley & Sons Limited operates as a builders merchant from its site in Fallowfield, Manchester. The business was hived up into Howarth Timber and Building Supplies Limited and the branch commenced trading as Howarth Timber and Building Supplies Fallowfield branch in March 2023.

##### **Thomas Ainsworth**

On 23 June 2022, the business acquired the business, trade and assets of Thomas Ainsworth Builders Merchants, a merchant which neighboured our existing Burnley site. In addition the freehold property was acquired, which is shown in Fixed asset additions. The amount paid for stock, debtors and fixed assets amounted to £37,000 with £187,000 attributed to goodwill.

##### **VHL 2018 Limited**

On 11 March 2023, Howarth Timber Group Limited acquired 100% of the ordinary share capital of Verdon Timber Group Limited via the acquisition of the holding company VHL 2018 Ltd for a total consideration of £17,049,000.

Verdon Timber Group Limited operates from 5 sites in Leicestershire, with 2 sites being timber merchants, one a specialist timber packaging supplier with the remaining 2 sites supplying timber to both the construction and other industrial users of timber products.

##### **Acquisition of Bentley Holdings (Bowden) Limited**

##### **Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book value £000	Fair value adjustments £000	Fair value £000
<b>Fixed Assets</b>			
Tangible	115	-	115
	<u>115</u>	<u>-</u>	<u>115</u>
<b>Current Assets</b>			
Stocks	626	(94)	532
Debtors	362	-	362
Cash at bank and in hand	681	-	681
	<u>1,784</u>	<u>(94)</u>	<u>1,690</u>
<b>Total Assets</b>			
<b>Creditors</b>			
Due within one year	(561)	-	(561)
Due after more than one year	(139)	-	(139)
	<u>1,084</u>	<u>(94)</u>	<u>990</u>
<b>Total Identifiable net assets</b>			
			<u>1,743</u>
Goodwill			1,743

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

29. Business combinations (continued)

Total purchase consideration	2,733
Consideration	£000
Cash	2,733
Deferred Cash	-
Total purchase consideration	2,733

Purchase consideration settled in cash, as above	£000
	2,733

Ernest Bentley contributed £1.652m of sales and profit before tax of £26,000 in the period from acquisition to the 31 March 2023.

Acquisition of VHL 2018 Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £000	Fair value £000
<b>Fixed Assets</b>		
Tangible	2,850	2,850
	2,850	2,850
<b>Current Assets</b>		
Stocks	1,892	1,892
Debtors	2,066	2,066
Cash at bank and in hand	3,755	3,755
<b>Total Assets</b>	10,563	10,563
<b>Creditors</b>		
Due within one year	(2,773)	(2,773)
Deferred taxation	(329)	(329)
<b>Total identifiable net assets</b>	7,461	7,461
Goodwill		9,588
<b>Total purchase consideration</b>		17,049

**HOWARTH TIMBER GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

**29. Business combinations (continued)**

**Consideration**

	<b>£000</b>
Cash	<b>15,540</b>
Deferred consideration	<b>1,509</b>
<b>Total purchase consideration</b>	<b>17,049</b>

**Cash outflow on acquisition**

	<b>£000</b>
Purchase consideration settled in cash, as above	<b>17,049</b>

VHL 2018 contributed £1.120m of sales and profit before tax of £126,000 in the period from acquisition to the 31 March 2023.

**30. Capital commitments**

**Group - Capital commitments**

During the year ended 31 March 2023, the Group entered into a contract to purchase property, plant and equipment for £2,619,195 (2022: £6,067,364)

**Company - Capital commitments**

During the year ended 31 March 2023, the Company entered into contracts to purchase property, plant and equipment for £Nil (2022: £Nil). These commitments are expected to be settled in the following financial year.



## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 31. Pension commitments

##### Defined contribution scheme

The pension charge for the period in respect of the defined contribution scheme represents contributions payable by the company to the funds and amounted to £1,270,000 (2022: £862,000). There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

The Group operates a Defined Benefit Pension Scheme.

##### Reconciliation of present value of plan liabilities:

	2023 £000	2022 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	20,948	24,108
Interest cost	535	473
Actuarial gains	(4,959)	(1,446)
Benefits paid	(633)	(629)
Settlements or curtailments	(1,097)	(1,558)
<b>At the end of the year</b>	<b>14,794</b>	<b>20,948</b>

##### Reconciliation of present value of plan assets:

	2023 £000	2022 £000
At the beginning of the year	23,293	24,298
Return on plan assets	-	113
Interest cost	601	482
Actuarial gains/losses	(3,185)	-
Contributions	500	1,100
Benefits paid	(633)	(629)
Service cost	(169)	-
Settlements / Curtailments	(1,785)	(2,071)
<b>At the end of the year</b>	<b>18,622</b>	<b>23,293</b>

HOWARTH TIMBER GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

31. Pension commitments (continued)

Composition of plan assets:

	2023 £000	2022 £000
Equities	-	13,487
Corporate bonds	-	1,474
Index linked bonds	-	1,487
Insured assets	14,794	6,810
Bank account	3,828	35
<b>Total plan assets</b>	<b>18,622</b>	<b>23,293</b>
	2023 £000	2022 £000
Fair value of plan assets	18,622	23,293
Present value of plan liabilities	(14,794)	(20,948)
Impact of asset ceiling	(1,483)	-
<b>Net pension scheme surplus</b>	<b>2,345</b>	<b>2,345</b>

The amounts recognised in profit or loss are as follows:

	2023 £000	2022 £000
Current service cost - expenses	169	-
Settlements & curtailments	688	513
Interest	(66)	(9)
<b>Total</b>	<b>791</b>	<b>504</b>

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 31. Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2023	2022
	%	%
Discount rate	4.7	2.70
Revaluation in deferment	2.85	3.65
Future pension increases (CPI Up to 5%)	2.9	3.3
Future pension increases (CPI Up to 2.5%)	2.05	2.2
Mortality rates		
- for a male aged 65 now	21.2	22
- at 65 for a male aged 45 now	22.4	23.3
- for a female aged 65 now	23.8	24.4
- at 65 for a female member aged 45 now	25.2	25.8

#### Sensitivity analysis

A sensitivity analysis of the principal assumptions use to measure the Scheme liability is set out below.

	2023	2022
	Impact of scheme liabilities (%)	Impact on scheme liabilities (%)
<b>Change in assumption</b>		
Discount rate (Decrease by 0.25%)	3	4
Rate of inflation (Increase by 0.25%)	2	2
Increase in life expectancy of 1 year	3	3

## HOWARTH TIMBER GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

#### 32. Commitments under operating leases

At 31 March 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Not later than 1 year	1,091	777	210	210
Later than 1 year and not later than 5 years	3,441	3,081	841	841
Later than 5 years	4,163	4,163	2,729	2,729
	<u>8,695</u>	<u>8,021</u>	<u>3,780</u>	<u>3,780</u>

#### 33. Contingencies

The Company and fellow subsidiary undertakings are party to unlimited multilateral company guaranteed to HSBC pls in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary understanding at 31 March 2023 amounted to £Nil (2022: £Nil).

#### 34. Related party transactions

The Company has taken advantage of the exemption in Section 33 "Related Party Disclosures" from disclosing transactions with other members of the group, as permitted by FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### 35. Controlling party

There is no ultimate controlling party.