

Howarth Timber Engineered Solutions Limited

**Directors' report and financial
statements**

Registered number 08030489

31 March 2015

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Strategic Report

Principal activities

The company's principal activity during the period was that of the manufacture and supply of engineered wood products, roof trusses and flooring.

Business model

The business operates manufacturing facilities in Ashton under Lyne, Brighton (North Yorkshire) and Bury St Edmunds. Sales are principally to the construction industry.

Business review and results

A more buoyant economy and resurgent demand from the construction industry saw a 36.5% growth in turnover to £16.8m (2014: £12.3m), and operating profit rose to £1.0m (2014: £0.3m). The company is continuing to invest in plant and equipment in order to grow the business during the next financial year.

Key performance indicators

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

| | 2015 | 2014 | Measure |
|--------------------------------------|-------|------|--|
| Financial | | | |
| Return on capital | 0.43 | 0.19 | Profit before tax/net assets |
| Current ratio | 1.58 | 1.51 | Current assets/current liabilities |
| Stock turnover | 16.29 | 14.4 | Turnover/stock |
| Days debtors | 60 | 65 | Trade debtors/average turnover |
| Sales per employee (£000) | 135 | 124 | Turnover/average number of employees |
| Operating profit per employee (£000) | 8.4 | 2.9 | Operating profit/average number of employees |

The above ratios reflect the improvement in the company results following the upsurge in the general economy and improvement in company turnover and profitability. Key performance ratios are used to monitor the use of working capital and cost controls, in particular employment costs which make up over 50% of the company overhead costs.

Principal risks and uncertainties

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

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

Strategic Report (*continued*)

Principal risks and uncertainties (*continued*)

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

Future developments

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

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

Signed on behalf of the Board



AP Howarth

Director

18th August 2015

Prince Edward Works
Pontefract Lane
Leeds
LS9-0RA

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

Result for the year

The company is reporting an operating profit of £1.0m (2014: £0.3m). Further commentary on the result can be found in the strategic report.

Directors

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

AP Howarth

ND Howarth

JD Netherton-Sinclair

JL Provan

Employees

The Company'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 company'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 company.

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

Disclosure of information to auditor

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

Auditor

During the period the directors held a board meeting at which they resolved to appoint KPMG LLP as auditor in accordance with s485 of the Companies Act 2006.

By order of the board



AP Howarth
Director

Prince Edward Works
Pontefract Lane
Leeds

LS9 0RA

18th August 2015

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of Howarth Timber Engineered Solutions Limited

We have audited the financial statements of Howarth Timber Engineered Solutions Limited for the year ended 31 March 2015 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).-

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Howarth Timber Engineered Solutions Limited *(continued)*

Matters on which we are required to report by exception

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

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



David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

1 The Embankment
Neville Street
Leeds
LS1 4DW

18th August 2015

Profit and loss account
for the year ended 31 March 2015

| | <i>Note</i> | Year ended 31 March 2015 £ | Year ended 31 March 2015 £ |
|--|-------------|---|---|
| Turnover | <i>1</i> | 16,778,185 | 12,292,260 |
| Change in stocks of finished goods | | (177,182) | 69,396 |
| Raw materials and consumables | | (9,995,035) | (7,417,156) |
| Staff costs | <i>3</i> | (3,088,466) | (2,565,272) |
| Depreciation and other amounts written-off tangible fixed assets | <i>2</i> | (111,584) | (154,402) |
| Other operating charges | | (2,363,316) | (1,937,129) |
| Operating profit | | 1,042,602 | 287,697 |
| Interest receivable and similar charges | <i>4</i> | 16,479 | 7,351 |
| Profit on ordinary activities before taxation | | 1,059,081 | 295,048 |
| Tax on profit on ordinary activities | <i>5</i> | (107,573) | (61,402) |
| Profit for the financial year | <i>11</i> | 951,508 | 233,646 |

The company has no recognised gains or losses other than the results for the period as disclosed above.

The notes on pages 10 to 19 form part of the financial statements.

Balance sheet
at 31 March 2015

| | Note | 2015 £ | 2014 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 6 | 459,962 | 233,832 |
| | | <u>459,962</u> | <u>233,832</u> |
| Current assets | | | |
| Stock | 7 | 1,030,262 | 853,080 |
| Debtors | 8 | 3,486,578 | 2,600,349 |
| Cash at bank and in hand | | 1,034,536 | 413,818 |
| | | <u>5,551,376</u> | <u>3,867,247</u> |
| Creditors: amounts falling due within one year | 9 | <u>(3,524,642)</u> | <u>(2,565,891)</u> |
| Net Current Assets | | <u>2,026,734</u> | <u>1,301,356</u> |
| Total assets less current liabilities | | <u>2,486,696</u> | <u>1,535,188</u> |
| Net assets | | <u>2,486,696</u> | <u>1,535,188</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 100 | 100 |
| Profit and loss account | 11 | 1,236,596 | 285,088 |
| Capital Contribution | 11 | 1,250,000 | 1,250,000 |
| Shareholders' funds | | <u>2,486,696</u> | <u>1,535,188</u> |

The notes on pages 10 to 19 form part of the financial statements.

These financial statements were approved by the board of directors on 18th August 2015 and were signed on its behalf by:



AP Howarth
 Director

Company registered number: 08030489

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Howarth Timber Group Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

The consolidated financial statements of Howarth Timber Group Limited within which this company is included, can be obtained from the address as given in note 14.

Going concern

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

The total overdraft facility was renewed at a level of £5.0m in January 2015 and is due for renewal in January 2016. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors can confirm that the revolving credit facility was renewed on 11 July 2014 for a 5 year period through to 11 July 2019 ensuring that the business has sufficient flexibility to manage its affairs in the short to medium term.

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|-----------------------|---|--------------------------|
| Fixtures and fittings | - | 15-25% of cost per annum |
| Plant and equipment | - | 15-25% of cost per annum |
| Motor vehicles | - | 20-25% of cost per annum |

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the purchase price is used.

Bank balances

Bank balances are stated at the amount of the balance shown on the bank statement of the company adjusted for the bank charges and interest accrued but not charged at the financial year end.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised without discounting, in respect of all timing between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

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

Notes (continued)

2 Profit on ordinary activities before taxation

| | Year ended 31 March 2015 £ | Year Ended 31 March 2014 £ |
|--|-------------------------------------|-------------------------------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i> | | |
| Auditors' remuneration: | | |
| Audit of these financial statements | 14,400 | 13,000 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Wholly owned | 111,584 | 154,402 |
| Profit on sale of fixed assets | - | - |
| | <u>125,984</u> | <u>167,402</u> |

3 Remuneration of directors

| | Year ended 31 March 2015 £ | Year Ended 31 March 2014 £ |
|-----------------------|-------------------------------------|-------------------------------------|
| Directors' emoluments | 98,133 | 86,196 |
| Pension contributions | 1,950 | - |
| | <u>100,083</u> | <u>86,196</u> |

The emoluments of the highest paid director were £100,083 (2014: £86,196). The highest paid director is not a member of the defined benefit scheme.

Notes (continued)

3 Staff numbers and costs

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

| | Number of employees | |
|--------------------------|--------------------------------|--------------------------------|
| | Year ended 31 March 2015 | Year Ended 31 March 2014 |
| Production | 78 | 62 |
| Selling and distribution | 31 | 25 |
| Administration | 15 | 12 |
| | <u>124</u> | <u>99</u> |

The aggregate payroll costs of these persons were as follows:

| | Year ended 31 March 2015 £ | Year Ended 31 March 2014 £ |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Wages and salaries | 2,815,944 | 2,340,342 |
| Social security costs | 238,395 | 200,487 |
| Other pension costs (see note 12) | 34,127 | 24,443 |
| | <u>3,088,466</u> | <u>2,565,272</u> |

4 Interest receivable and similar charges

| | Year-ended 31 March 2015 £ | Year Ended 31 March 2014 £ |
|------------------------------|-------------------------------------|-------------------------------------|
| On bank loans and overdrafts | <u>16,479</u> | <u>7,351</u> |

Notes (continued)

5 Taxation

| | Year ended 31 March 2015 £ | Period from incorporation to 31 March 2014 £ |
|---|-------------------------------------|--|
| UK corporation tax | | |
| Current tax on income for the year | 107,573 | 59,755 |
| Adjustments in respect of prior year | - | 1,647 |
| Total current tax | 107,573 | 61,402 |
| Deferred tax | | |
| Origination/reversal of timing differences | - | - |
| Adjustments in respect of previous years | - | - |
| Total tax on profit on ordinary activities | 107,573 | 61,402 |

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2014: lower) than the standard rate of corporation tax in the UK 21% (2014: 23%). The differences are explained below.

| | Year ended 31 March 2015 £ | Period from incorporation to 31 March 2014 £ |
|--|-------------------------------------|--|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 1,059,081 | 295,048 |
| Current tax at 21% | 222,407 | 67,861 |
| <i>Effects of:</i> | | |
| Fixed asset timing differences | 879 | (9,031) |
| Expenses not deductible for tax purposes | 1,402 | 925 |
| Group relief claimed | (60,163) | - |
| Unrelieved tax losses | (31,076) | - |
| Adjustments in respect of prior year | - | 1,647 |
| Depreciation in excess of capital allowances | (25,876) | - |
| Total current tax charge (see above) | 107,573 | 61,402 |

Notes *(continued)*

6 Tangible fixed assets

| | Computers £ | Plant and equipment £ | Motor vehicles £ | Total £ |
|-----------------------|----------------|-----------------------------|------------------------|------------|
| Cost | | | | |
| At beginning of year | 22,442 | 954,013 | 324,140 | 1,300,595 |
| Additions | 8,894 | 166,845 | 159,389 | 335,128 |
| Disposal | - | - | (20,546) | (20,546) |
| At end of period | 31,336 | 1,120,858 | 462,983 | 1,615,177 |
| Depreciation | | | | |
| At beginning of year | 12,302 | 760,110 | 294,351 | 1,066,763 |
| Charge for period | 5,971 | 85,055 | 20,558 | 111,584 |
| Disposals | - | - | (23,132) | (23,132) |
| At end of period | 18,273 | 845,165 | 291,777 | 1,155,215 |
| Net book value | | | | |
| At 31 March 2015 | 13,063 | 275,693 | 171,206 | 459,962 |
| At 31 March 2014 | 10,140 | 193,903 | 29,789 | 233,832 |

Notes (continued)

7 Stocks

| | 2015 £ | 2014 £ |
|---------------|------------------|----------------|
| Raw materials | 1,030,262 | 853,080 |
| | <u>1,030,262</u> | <u>853,080</u> |

8 Debtors

| | 2015 £ | 2014 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 2,759,344 | 2,193,963 |
| Amounts owed by group undertakings | 238,194 | 213,918 |
| Other debtors | 489,040 | 192,468 |
| | <u>3,486,578</u> | <u>2,600,349</u> |

Notes (continued)

9 Creditors: amounts falling due within one year

| | 2015 £ | 2014 £ |
|------------------------------------|------------------|------------------|
| Cheques issued not presented | 247,445 | 182,342 |
| Trade creditors | 2,480,551 | 1,848,402 |
| Amounts owed to group undertakings | 65,027 | 17,911 |
| Other creditors | 624,046 | 450,228 |
| Corporation Tax | 107,573 | 67,008 |
| | <u>3,524,642</u> | <u>2,565,891</u> |

10 Called up share capital

| | 2015 £ | 2014 £ |
|---|------------|------------|
| <i>Allotted, called up and fully paid</i> | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <u>100</u> | <u>100</u> |

11 Reserves

| | Capital contribution reserve £ | Profit and loss account £ | Total £ |
|------------------------------|---|------------------------------------|------------------|
| At beginning of year | 1,250,000 | 285,088 | 1,535,088 |
| Retained profit for the year | - | 951,508 | 951,508 |
| | <u>1,250,000</u> | <u>1,236,596</u> | <u>2,486,696</u> |
| At 31 March 2015 | 1,250,000 | 1,236,596 | 2,486,696 |

Notes (continued)

12 Pension scheme

The details of the pension schemes operated by the group are disclosed in the consolidated accounts of Howarth Timber Group Limited, the company's ultimate parent. Howarth Timber Group operates two defined contribution schemes and one defined benefit scheme of which certain company employees are members.

Defined contribution schemes

The company operates a defined contribution pension scheme. The pension cost for the period represents contributions payable by the company to the scheme and amount to £34,127 (2014:£10,164). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Defined benefit schemes

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis the scheme is accounted for as if the scheme were defined contribution scheme, as permitted by FRS 17 'Retirement benefits'.

The assets of the defined benefit scheme are held in separate trustee administered funds.

The pension cost charge for the year in respect of the defined benefit scheme represents contributions payable by the company to the fund and amounted to £nil. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out as at 30 September 2013 by a qualified actuary, independent of the scheme's sponsoring employer. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 4.9% per annum and that salary increases would average 3.30% per annum.

At the last complete actuarial valuation of 30 September 2013 the market value of the assets of the scheme was £16,476,000. There was a deficit of £1,638,000 on current funding levels. The actuarial value of the scheme's assets represented 91% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

13 Contingent liabilities

The company and its subsidiaries are party to unlimited multilateral company guarantees to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of subsidiary companies at 31 March 2015 amounted to £3,259,523 (2014:£3,261,381).

Notes *(continued)*

14 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Howarth Timber Group Limited incorporated in Great Britain, and registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Howarth Timber Group Limited. The consolidated accounts of this group may be obtained from:

The Registrar
Companies House
Crown Way
Maindy
Cardiff
CF4 3UZ

No other group accounts include the results of the company.