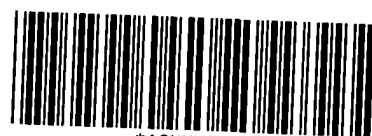


REGISTERED NUMBER: 08030489 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2019
for
Howarth Timber Engineered Solutions
Limited**

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**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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for the Year Ended 31 March 2019**

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**Howarth Timber Engineered Solutions
Limited**

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

Directors:

N D Howarth
A P Howarth
J L Provan
A P Turner

Registered office:

Prince Edward Works
Pontefract Lane Leeds
West Yorkshire
LS9 0RA

Registered number:

08030489 (England and Wales)

Auditors:

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

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), Fairford and Bury St Edmunds. Sales are principally to the construction industry.

Business review and results

The Truss & I-Beam business, saw turnover increase by 16.6% to £26.5m (2018: £22.7m) and an increase in operating profit to £1.3m (2018: £0.7m).

Key performance indicators

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

	2019	2018	Measure
Financial			
Return on capital	0.22	0.15	Profit before tax/net assets
Current ratio	1.92	1.76	Current assets/current liabilities
Stock turnover	11.5	10.3	Turnover/stock
Days debtors	50	68	Trade debtors/average turnover x 365
			Turnover/average number of
Sales per employee (£000)	148	139	employees
Operating profit per employee (£000)	7.2	4.5	Operating profit/average number of employees

The above ratios reflect the continued good management of the business especially around working capital. Key performance ratios are used to monitor the use of working capital, productivity and cost controls, particular with regard to 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.
- All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.
- Competitive risk: The company operates in highly competitive markets. The diversity of operations reduces the possible effect of action by any single competitor.

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

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

Future developments

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

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

By order of the board:



.....
N D Howarth - Director

Date: 6 December 2019

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

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

Principal activity

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

Dividends

No dividends will be distributed for the year ended 31 March 2019.

Directors

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

N D Howarth
A P Howarth
J L Provan

Other changes in directors holding office are as follows:

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

Employees

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

Statement as to disclosure of information to auditors

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.

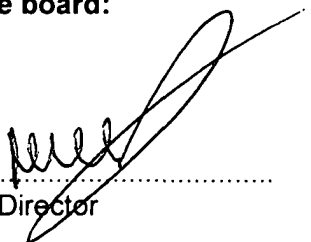
**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

Auditors

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:

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

N D Howarth - Director

Date: 6 December 2019

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

**Report of the Independent Auditors to the Members of
Howarth Timber Engineered Solutions
Limited**

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit or the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matters

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

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

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

Going concern

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

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

**Report of the Independent Auditors to the Members of
Howarth Timber Engineered Solutions
Limited**

Going concern (*continued*)

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Report of the Independent Auditors to the Members of
Howarth Timber Engineered Solutions
Limited**

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

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



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

Date: 12 DECEMBER 2019

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

	Notes	2019 £'000	2018 £'000
TURNOVER	2	26,512	22,733
Raw materials and consumables		(16,168)	(13,665)
Staff costs	3	(5,009)	(4,590)
Depreciation		(341)	(314)
Other operating expenses		<u>(3,702)</u>	<u>(3,430)</u>
OPERATING PROFIT		1,292	734
Interest receivable and similar income	4	<u>9</u>	<u>2</u>
PROFIT BEFORE TAXATION	5	1,301	736
Tax on profit	7	<u>(164)</u>	<u>(124)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,137</u>	<u>612</u>

The notes form part of these financial statements

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

	Notes	2019 £'000	2018 £'000
PROFIT FOR THE YEAR		1,137	612
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,137</u>	<u>612</u>

The notes form part of these financial statements

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

**Balance Sheet
31 March 2019**

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	8	687	687
Tangible assets	9	<u>1,034</u>	<u>1,132</u>
		<u>1,721</u>	<u>1,819</u>
CURRENT ASSETS			
Stocks	10	2,309	2,207
Debtors	11	4,979	4,258
Cash at bank and in hand		<u>1,622</u>	<u>849</u>
		8,910	7,314
CREDITORS			
Amounts falling due within one year	12	<u>(4,635)</u>	<u>(4,274)</u>
NET CURRENT ASSETS		<u>4,275</u>	<u>3,040</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,996</u>	<u>4,859</u>
CAPITAL AND RESERVES			
Called up share capital		-	-
Capital redemption reserve	13	1,250	1,250
Retained earnings	13	<u>4,746</u>	<u>3,609</u>
		<u>5,996</u>	<u>4,859</u>

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

.....
N D Howarth - Director

The notes form part of these financial statements

**Howarth Timber Engineered Solutions
Limited (Registered number: 08030489)**

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

	Called up share capital £'000	Retained earnings £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 April 2017	-	2,997	1,250	4,247
Changes in equity				
Total comprehensive income	<u>-</u>	<u>612</u>	<u>-</u>	<u>612</u>
Balance at 31 March 2018	<u>-</u>	<u>3,609</u>	<u>1,250</u>	<u>4,859</u>
Changes in equity				
Total comprehensive income	<u>-</u>	<u>1,137</u>	<u>-</u>	<u>1,137</u>
Balance at 31 March 2019	<u><u>-</u></u>	<u><u>4,746</u></u>	<u><u>1,250</u></u>	<u><u>5,996</u></u>

The notes form part of these financial statements

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

1. ACCOUNTING POLICIES

Basis of preparation

Howarth Timber Engineered Solutions Limited (the "Company") is a company incorporated and domiciled in the UK.

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

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

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

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

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

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

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

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

1. ACCOUNTING POLICIES (*continued*)

Basis of preparation (*continued*)

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of IAS 7 Statement of Cash Flows.

Going concern

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

The total overdraft facility was renewed at a level of £5.0m in January 2019 and is due for renewal in January 2020. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors can confirm that the Group's revolving credit facility is in place at a level of £10m for a 3-year period to 5 August 2022, ensuring the business has sufficient flexibility to manage its affairs in the short to medium term. The directors have considered the going concern basis in the context of the overall Howarth Timber Group Limited group of companies, but with specific consideration of those risks that are specific to each of the individual subsidiary undertakings.

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

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

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

Turnover

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

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

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

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

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

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

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

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

- Motor Vehicles 4 - 7 years
- plant and equipment 7 years
- fixtures and fittings 7 years

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

Financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Stocks

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

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

1. ACCOUNTING POLICIES - continued

Taxation

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

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

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

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

Foreign currencies

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

Hire purchase and leasing commitments

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

Employee benefit costs

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

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

1. ACCOUNTING POLICIES - continued

**Impairment excluding stocks and deferred tax assets
Financial assets (including trade and other debtors)**

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

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

Non-financial assets

Where no indication of fair value exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

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

1. ACCOUNTING POLICIES - continued

Expenses

Operating lease payments

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

Finance lease payments

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

Interest receivable and Interest payable

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

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

2. TURNOVER

	2019 £000	2018 £000
Sale of Goods	<u>26,512</u>	<u>22,733</u>
Total turnover	<u><u>26,512</u></u>	<u><u>22,733</u></u>

3. EMPLOYEES AND DIRECTORS

	2019 £'000	2018 £'000
Wages and salaries	4,573	4,204
Social security costs	367	348
Other pension costs	<u>69</u>	<u>38</u>
	<u><u>5,009</u></u>	<u><u>4,590</u></u>

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

3. EMPLOYEES AND DIRECTORS - continued

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

	2019	2018
Production	114	104
Selling and distribution	44	40
Administration	<u>21</u>	<u>19</u>
	<u>179</u>	<u>163</u>

	2019 £000	2018 £000
Directors' remuneration	119	123
Amounts receivable under long term incentive schemes	<u>-</u>	<u>-</u>
	<u>119</u>	<u>123</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £118,883, (2018: £123,055). He is not a member of a defined benefit scheme.

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Interest Received	<u>9</u>	<u>2</u>

**Howarth Timber Engineered Solutions
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

5. PROFIT BEFORE TAXATION

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

	2019	2018
	£'000	£'000
Cost of inventories recognised as expense	16,168	13,665
Hire of plant and machinery	13	4
Depreciation - owned assets	355	328
Profit on disposal of fixed assets	<u>(15)</u>	<u>(13)</u>

6. EXPENSES AND AUDITORS' REMUNERATION

	2019	2018
	£000	£000
Audit of these financial statements	<u>18</u>	<u>18</u>

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

7. TAXATION

Recognised in the profit and loss account

	2019		2018	
	£000	£000	£000	£000
UK corporation tax				
Current tax on income for the period	195		122	
Adjustments in respect of prior periods	<u>(24)</u>		<u>2</u>	
Total current tax		171		124
Deferred tax				
Origination and reversal of temporary differences		<u>(7)</u>		<u>-</u>
Total deferred tax		<u>-</u>		<u>-</u>
Tax expense on profit on ordinary activities		<u>164</u>		<u>124</u>

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Profit for the year	1,136	612
Total tax expense	<u>164</u>	<u>124</u>
Profit excluding taxation	1,300	736
Tax using the UK corporation tax rate of 19 %	247	139
Fixed asset timing differences	-	(19)
Adjustments in respect of prior periods	(24)	-
Non-deductible expenses	2	3
Losses not previously recognised	<u>(61)</u>	<u>-</u>
Total tax expense	<u>164</u>	<u>124</u>

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

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

8. INTANGIBLE FIXED ASSETS

	Goodwill £000	Total £000
At beginning of year and end of the year	<u>687</u>	<u>687</u>

9. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 April 2018	2,030	77	743	48	2,898
Additions	123	-	152	23	298
Disposals	<u>-</u>	<u>-</u>	<u>(137)</u>	<u>-</u>	<u>(137)</u>
At 31 March 2019	<u>2,153</u>	<u>77</u>	<u>758</u>	<u>71</u>	<u>3,059</u>
DEPRECIATION					
At 1 April 2018	1,306	19	399	42	1,766
Charge for year	192	11	144	8	355
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(96)</u>	<u>-</u>	<u>(96)</u>
At 31 March 2019	<u>1,498</u>	<u>30</u>	<u>447</u>	<u>50</u>	<u>2,025</u>
NET BOOK VALUE					
At 31 March 2019	<u>655</u>	<u>47</u>	<u>311</u>	<u>21</u>	<u>1,034</u>
At 31 March 2018	<u>724</u>	<u>58</u>	<u>344</u>	<u>6</u>	<u>1,132</u>

Leased plant and machinery

At 31st March 2019, the net carrying amount of leased plant and machinery was £nil (2018: £nil).

10. STOCKS

	2019 £000	2018 £000
Raw Materials	2,133	2,037
Work in progress	56	39
Finished Goods	<u>120</u>	<u>131</u>
Total Stock	<u>2,309</u>	<u>2,207</u>

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

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade debtors	3,582	3,054
Amounts owed by group undertakings	232	157
Other debtors	680	997
Deferred tax asset	57	50
Prepayments and accrued income	428	-
	<u>4,979</u>	<u>4,258</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade creditors	3,816	3,304
Amounts owed to group undertakings	194	184
Tax	173	126
VAT	275	-
Other creditors	-	660
Accrued expenses	177	-
	<u>4,635</u>	<u>4,274</u>

13. RESERVES

	Retained earnings £'000	Capital redemption reserve £'000	Totals £'000
At 1 April 2018	3,609	1,250	4,859
Profit for the year	<u>1,137</u>	<u>-</u>	<u>1,137</u>
At 31 March 2019	<u>4,746</u>	<u>1,250</u>	<u>5,996</u>

14. ULTIMATE PARENT COMPANY

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

15. CONTINGENT LIABILITIES

The company and fellow subsidiary undertakings are party to unlimited multilateral company guaranteed to HSBC plc in respect of any liability to HSBC plc incurred by Howarth Timber Group Limited or its subsidiaries. The total guaranteed borrowings of parent and fellow subsidiary understanding at 31 March 2019 amounted to £812,000 (2018: £4,327,000).

**Howarth Timber Engineered Solutions
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**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

16. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2019 (2018: £nil).