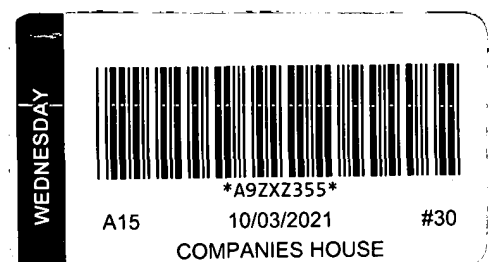


REGISTERED NUMBER: 08030489 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2020**

for

**Howarth Timber Engineered Solutions
Limited**



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

**Contents of the Financial Statements
for the Year Ended 31 March 2020**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	4
Directors' Responsibilities Statement	6
Report of the Independent Auditors	7
Income Statement	10
Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

**Howarth Timber Engineered Solutions
Limited**

**Company Information
for the Year Ended 31 March 2020**

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 2020**

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 remain relatively flat at £26.3m (2019: £26.5m) with an increase in operating profit to £2.8m (2019: £1.3m). The increase in profit is reflective of decreases in material costs during the year which have led to increased margin as the company fulfilled fixed price contracts, and continued work on operational efficiencies.

Key performance indicators

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

	2020	2019	Measure
Financial			
Return on capital	0.35	0.22	Profit before tax/net assets
Current ratio	3.2	1.92	Current assets/current liabilities
Stock turnover	13.0	11.5	Turnover/stock
Days debtors	38	50	Trade debtors/average turnover x 365
			Turnover/average number of
Sales per employee (£000)	159	148	employees
Operating profit per employee (£000)	16.9	7.2	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.

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

**Strategic Report
for the Year Ended 31 March 2020**

- 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.
- Covid 19: the pandemic has caused enormous disruption worldwide and the true economic implications are yet to be seen. This has already led to new ways of working in the business as we seek to operate safely through the pandemic. The impact of a second wave could cause disruption to the businesses in terms of demand and we are expecting that the economy will come under increasing pressure as a result of increased unemployment as Government financial support is phased out in 2020.
- Brexit: The UK has left the EU and the transition period ends on 1 January 2021. We are making preparations for this in respect of our business relationships with EU counterparties and also monitoring its effect on our supply chain and the general economy.

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

25 September 2020

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

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

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

A final dividend of £4,910 per share was paid during the year.

The total dividends paid in the year ended 31 March 2020 were £491,000 (2019: £nil)

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

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

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 2020**

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 read 'M D Howarth', is written over a large, loopy circular scribble.

M D Howarth - Director

25 September 2020

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

**Directors' Responsibilities Statement
for the Year Ended 31 March 2020**

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 2020 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 2020 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

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.

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:

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

- 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 5, 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: 30 September 2020

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

**Income Statement
for the Year Ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	2	26,271	26,512
Other operating income		8	-
		<u>26,279</u>	<u>26,512</u>
Raw materials and consumables		(14,379)	(16,168)
		<u>11,900</u>	<u>10,344</u>
Staff costs	3	(4,778)	(5,009)
Depreciation		(373)	(341)
Other operating expenses		(3,964)	(3,702)
		<u>2,785</u>	<u>1,292</u>
OPERATING PROFIT			
Interest receivable and similar income	4	19	9
		<u>2,804</u>	<u>1,301</u>
Interest payable and similar expenses	5	(18)	-
		<u>2,786</u>	<u>1,301</u>
PROFIT BEFORE TAXATION	6		
Tax on profit	8	(374)	(164)
		<u>2,412</u>	<u>1,137</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>2,412</u></u>	<u><u>1,137</u></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 2020**

	Notes	2020 £'000	2019 £'000
PROFIT FOR THE YEAR		2,412	1,137
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,412</u>	<u>1,137</u>

The notes form part of these financial statements

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

**Balance Sheet
31 March 2020**

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	10	687	687
Tangible assets	11	1,413	1,034
		<u>2,100</u>	<u>1,721</u>
CURRENT ASSETS			
Stocks	12	2,017	2,309
Debtors	13	3,710	4,979
Cash at bank		3,411	1,622
		<u>9,138</u>	<u>8,910</u>
CREDITORS			
Amounts falling due within one year	14	(2,853)	(4,635)
NET CURRENT ASSETS		<u>6,285</u>	<u>4,275</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,385</u>	<u>5,996</u>
CREDITORS			
Amounts falling due after more than one year	15	(468)	-
NET ASSETS		<u><u>7,917</u></u>	<u><u>5,996</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Capital redemption reserve	19	1,250	1,250
Retained earnings	19	6,667	4,746
SHAREHOLDERS' FUNDS		<u><u>7,917</u></u>	<u><u>5,996</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2020 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 2020**

	Called up share capital £'000	Retained earnings £'000	Capital redemption reserve £'000	Total equity £'000
Balance at 1 April 2018	-	3,609	1,250	4,859
Changes in equity				
Total comprehensive income	-	1,137	-	1,137
Balance at 31 March 2019	-	4,746	1,250	5,996
Changes in equity				
Dividends	-	(491)	-	(491)
Total comprehensive income	-	2,412	-	2,412
Balance at 31 March 2020	-	6,667	1,250	7,917

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES

Basis of preparation

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

Howarth Timber 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.

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

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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- 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 requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

The Group manages its financial requirements through a combination through 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 revolving credit facility was renewed at an increased facility level of £10m (previously £7.5m) on 5 August 2019 for a 3 year period through to 5 August 2022, ensuring the business has sufficient flexibility to manage its affairs in the short to medium term. The overdraft facility was renewed at a level of £5.0m in January 2020 and is due for renewal in January 2021. Howarth Timber Group Ltd 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 group 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 have prepared forecasts for the Group for a period to 31 March 2022. These forecasts take into account reasonable changes in trading performance and have been adjusted for the potential impact of Covid 19 on the business. 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. 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.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

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.

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 2020**

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.

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 2020

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 2020**

1. ACCOUNTING POLICIES - continued

Expenses

Interest receivable and Interest payable

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

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

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES - continued

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for that asset class.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

1. ACCOUNTING POLICIES - continued

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. TURNOVER

	2020 £000	2019 £000
Sale of Goods	26,271	26,512
Total turnover	<u>26,271</u>	<u>26,512</u>

3. EMPLOYEES AND DIRECTORS

	2020 £'000	2019 £'000
Wages and salaries	4,286	4,573
Social security costs	401	367
Other pension costs	91	69
	<u>4,778</u>	<u>5,009</u>

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

	2020	2019
Production	104	114
Selling and distribution	39	44
Administration	22	21
	<u>165</u>	<u>179</u>

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

3. EMPLOYEES AND DIRECTORS - continued

	2020 £000	2019 £000
Directors' remuneration	135	119
Amounts receivable under long term incentive schemes	-	-
	<u>135</u>	<u>119</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £135,996 (2019: £118,883). 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:	2020	2019
Money purchase schemes	<u>1</u>	<u>1</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Interest Received	<u>19</u>	<u>9</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Leasing	<u>18</u>	<u>-</u>

6. PROFIT BEFORE TAXATION

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

	2020 £'000	2019 £'000
Cost of inventories recognised as expense	14,379	16,168
Depreciation - owned assets	372	355
Profit on disposal of fixed assets	<u>(8)</u>	<u>(15)</u>

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

7. EXPENSES AND AUDITORS' REMUNERATION

	2020	2019
	£000	£000
Audit of these financial statements	18	18

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

8. TAXATION

Recognised in the profit and loss account

	2020 £000	£000	2019 £000	£000
UK corporation tax				
Current tax on income for the period	417		195	
Adjustments in respect of prior periods	(29)		(24)	
Total current tax		388		171
Deferred tax				
Origination and reversal of temporary differences		(14)		(7)
Total deferred tax		(14)		(7)
Tax expense on profit on ordinary activities		374		164

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	2,412	1,137
Total tax expense	374	164
Profit excluding taxation	2,786	1,301
Tax using the UK corporation tax rate of 19 %	529	247
Change in tax rate for deferred tax	(7)	-
Adjustments in respect of prior periods	(29)	(24)
Non-deductible expenses	7	2
Losses not previously recognised	(126)	(61)
Total tax expense	374	164

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and deferred tax as at prior year was been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020, and therefore deferred tax has been calculated at 19% for the year ended 31 March 2020..

9. DIVIDENDS

	2020 £'000	2019 £'000
Ordinary shares of £1 each		
Final	491	-

A final dividend of £4,910 (2029: £nil) per share was paid during the year.

10. INTANGIBLE FIXED ASSETS

	Goodwill £000	Total £000
Goodwill		
At beginning of year and end of the year	687	687

11. TANGIBLE FIXED ASSETS

	Right of Use Assets £'000	Plant and machinery £'000	Fixtures and fittings £'000
COST			
At 1 April 2019	-	2,153	77
Additions	569	44	22
Disposals	-	(7)	-
At 31 March 2020	569	2,190	99
DEPRECIATION			
At 1 April 2019	-	1,498	30
Charge for year	51	195	10
Eliminated on disposal	-	(6)	-
At 31 March 2020	51	1,687	40
NET BOOK VALUE			
At 31 March 2020	518	503	59
At 31 March 2019	-	655	47

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

11. TANGIBLE FIXED ASSETS - continued

	Motor Vehicles £'000	Computer equipment £'000	Totals £'000
COST			
At 1 April 2019	758	71	3,059
Additions	122	-	757
Disposals	(57)	-	(64)
	<u>823</u>	<u>71</u>	<u>3,752</u>
At 31 March 2020			
DEPRECIATION			
At 1 April 2019	447	50	2,025
Charge for year	110	6	372
Eliminated on disposal	(52)	-	(58)
	<u>505</u>	<u>56</u>	<u>2,339</u>
At 31 March 2020			
NET BOOK VALUE			
At 31 March 2020	<u>318</u>	<u>15</u>	<u>1,413</u>
At 31 March 2019	<u>311</u>	<u>21</u>	<u>1,034</u>

12. STOCKS

	2020 £'000	2019 £'000
Raw materials	1,797	2,133
Work-in-progress	34	56
Finished goods	186	120
	<u>2,017</u>	<u>2,309</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade debtors	2,748	3,582
Amounts owed by group undertakings	174	232
Other debtors	280	680
Deferred tax asset	71	57
Prepayments and accrued income	437	428
	<u>3,710</u>	<u>4,979</u>

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 16)	49	-
Trade creditors	1,651	3,816
Amounts owed to group undertakings	51	194
Tax	390	173
VAT	345	275
Other creditors	56	-
Accrued expenses	311	177
	<u>2,853</u>	<u>4,635</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 16)	<u>468</u>	<u>-</u>

16. FINANCIAL LIABILITIES - BORROWINGS

	2020 £'000	2019 £'000
Current:		
Leases (see note 17)	<u>49</u>	<u>-</u>
Non-current:		
Leases (see note 17)	<u>468</u>	<u>-</u>

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Totals £'000
Leases	<u>49</u>	<u>44</u>	<u>142</u>	<u>282</u>	<u>517</u>

17. LEASING

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

17. LEASING - continued

Lease liabilities

Minimum lease payments fall due as follows:

	2020 £'000	2019 £'000
Gross obligations repayable:		
Within one year	65	-
Between one and five years	236	-
In more than five years	339	-
	<u>640</u>	<u>-</u>
Finance charges repayable:		
Within one year	16	-
Between one and five years	50	-
In more than five years	57	-
	<u>123</u>	<u>-</u>
Net obligations repayable:		
Within one year	49	-
Between one and five years	186	-
In more than five years	282	-
	<u>517</u>	<u>-</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020	2019
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

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

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

19. RESERVES

	Retained earnings £'000	Capital redemption reserve £'000	Totals £'000
At 1 April 2019	4,746	1,250	5,996
Profit for the year	2,412	-	2,412
Dividends	(491)	-	(491)
At 31 March 2020	<u>6,667</u>	<u>1,250</u>	<u>7,917</u>

20. 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.

21. 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 2020 amounted to £nil (2019: £812,000).

22. CAPITAL COMMITMENTS

There were no capital commitments as at 31 March 2020 (2019: £nil).

23. EVENTS AFTER THE REPORTING PERIOD

The Covid 19 pandemic started to impact the business towards the end of March 2020 as customers started to close building sites and demand for product reduced significantly resulting in the temporary closure of the production facilities in April. As demand has increased from the end of April to July, the business has had a phased return to production with all sites operating by the end of July 2020. The order book remains strong and demand for housing picked up significantly in the Summer. The Company continues to closely monitor the impact of Covid 19 on the general economy and the impacts of a second wave of the virus. The assets of the company have not been effected.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

24. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 April 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019.

Right-of-use assets were measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has used its assessment of whether leases are onerous applying IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the recognised right-of-use assets on the date of transition.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

Leases classified as finance leases under IAS 17

For these finance leases, the carrying amount of the right-of-use asset was determined at the carrying amount of the lease asset under IAS 17 at 31 March 2019. There was no change made to the lease liability.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 March 2020.

	Impact of adoption of IFRS 16		
	As reported	Adjustments	Balances without adoption of IFRS 16
	£000	£000	£000
Balance sheet			
Property, plant & equipment	1,413	(518)	895
Creditors: Amounts falling due within one year	(2,853)	49	(2,804)
Creditors: Amounts falling due after more than one year	(468)	468	-
Retained earnings	(1,908)	(1)	(1,909)

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its borrowing rate at 1 April 2019 which was available on a fixed basis for similar assets. The weighted-average rate applied is 3.1%.