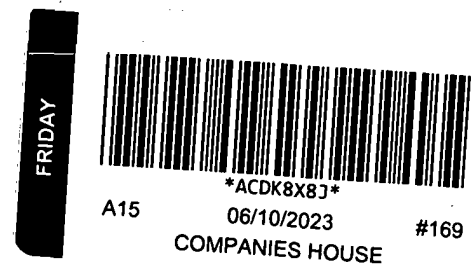


ARBOR FOREST PRODUCTS LIMITED
FINANCIAL STATEMENTS
31 MARCH 2023



ArmstrongWatson®
Accountants, Business & Financial Advisers

ARBOR FOREST PRODUCTS LIMITED

COMPANY INFORMATION

Directors

A P Howarth
N D Howarth
J Ostler
P A Yell
A P Turner (appointed 26 April 2023)

Registered number

00501259

Registered office

The Lincoln Castle
Lincoln Castle Way
New Holland
Barrow-Upon-Humber
North Lincolnshire
DN19 7RX

Independent auditor

Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Third Floor
10 South Parade
Leeds
LS1 5QS

ARBOR FOREST PRODUCTS LIMITED

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ARBOR FOREST PRODUCTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

Principal activity

The principal activity of the company continued to be the import, processing, and sale of timber products.

Business model

The business model is built around supplying good quality, added value products in to the merchant and timber marketplace. All raw materials are sourced from overseas providing better quality timber than home grown product.

The vast majority of product then undergoes an added value process, from complex machining to simple treatment allowing a finished product to be sold in to the marketplace. A quality product added to excellent customer service and delivery provide the ingredients for a successful business model.

Review of business and results

During the first half of the year, the business continued to see reductions in timber prices, with these been more stable in the second half of the year. Volumes, compared to the previous year, which had seen large demand, especially at the beginning of the prior year reduced and therefore turnover compared to the prior year was impacted both by volume and a reduction in selling prices.

Turnover reduced 27% to £126.0m (2022: £171.7m) with price deflation and volume both having an impact. Although volumes were lower than the prior year, the mix of sales was more heavily weighted to added value products and products with a higher selling price per m3 relative to commodity products which saw a larger volume decrease helping to maintain stronger margins.

The company continued to invest in production facilities, with the replacement of an automated sawline with a new better line, further enhancing production facilities.

Operating profits decreased to £15.4m (2022: £29.5m) on the back of reduced turnover.

Key performance indicators

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

Financial	2023	2022	Measure
Return on capital	0.19	0.41	Profit before tax/net assets
Current ratio	6.1	4.3	Current assets/current liabilities
Stock turnover	7.0	8.0	Turnover/stock
Days debtors	60.0	64.0	Trade debtor's/turnover * 365
	£'000	£'000	
Sales per employee	688	850	Turnover/average number of employee
Operating profit per employee	84	146	Operating profit/average number of employees

The above ratios reflect the continued strong management of the business in terms of sound investment choices, good working capital management and strong employee base. Key performance ratios are used to monitor the use of working capital and cost controls, in particular employment costs which make up over 40% of the company overhead costs.

ARBOR FOREST PRODUCTS LIMITED

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

Principal risks and uncertainties

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

Foreign currency exchange: The company monitors closely short, medium and long term exchange rates and has a policy of commercially hedging against currency fluctuations relating to transactions.

Raw material availability and prices: the company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.

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 company 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. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

Economic risk: the current increase in energy costs, high inflation and economic outlook could impact future demand. The new housing market is forecast to remain stable, but this could change due to higher interest rates and the current cost of living crisis. The company monitors the impact of this.

ARBOR FOREST PRODUCTS LIMITED

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

Future developments

The directors and senior management team continue to plan ahead and look at ways to improve and develop the business. Investment in the site has continued in the current year and selective investments to improve efficiency or enhance capability will be considered in the coming year. This puts the business in a good position to continue to develop in the future and further diversify the customer and product base.

The general economic outlook remains pessimistic, especially regarding the new housing market and general construction market. Low growth, higher interest rates and lack of consumer confidence are likely to have an impact on demand. This leads to more uncertainty on trading in the short term to medium term and the business continues to monitor economic conditions and react to the market accordingly.

Arbor Forest Products will continue to review investment in both plant and machinery and site capacity to meet demand for its products and management are confident that it will be able to continue to grow in medium to long term in a controlled and profitable manner despite the competitive market it operates in.

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.
- Manufacturing: new products continue to be sourced for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed; significant capital investment is being made in plant and infrastructure.
- 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.

Directors' statement of compliance with duty to promote the success of the company

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

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

Engagement with employees

The Company recognises that its employees are key to the ongoing success of the business and regularly engages with employees, via company briefings and engagement surveys. Reward and recognition schemes have been rolled out over the current financial year and further development of employee engagement activity is ongoing.

Engagement with suppliers, customers and others

Suppliers

The Company fosters long term relationships with suppliers, to ensure we have strong ongoing trading relationships, but also ensuring that the risk of any key supplier failure is reduced by having more than one option for supply.

ARBOR FOREST PRODUCTS LIMITED

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

Customers

The business is focused on having the best in class customer service levels in the industry, with customers being able to order what they require with short delivery lead times. The Company also has key relationships with industry buying groups to whom it is a key supplier.

Environment

The Group and company has an environmental policy, and all timber is sourced from accredited suppliers with Chain of Custody procedures in place to ensure these materials meet the Government and C.P.E.T. (Central Point of Expertise in) policy and guidelines on sustainable forest management practices are obtained from legal and sustainable forest sources.

Streamlined Energy and Carbon Reporting (SECR)

Reporting requirements under SECR are included in the consolidated accounts of Howarth Timber Group Limited.

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



.....
A P Howarth
Director

Date: 25.9.2023

ARBOR FOREST PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

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

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £12,549,000 (2022 - £23,867,000).

The dividends paid in the year by the company were £1,808,000 (2022: £3,598,000).

Directors

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

A P Howarth
N D Howarth
J Ostler
P A Yell
A P Turner (appointed 26 April 2023)

Matters covered in the Strategic Report

Certain information is not shown in the Directors' Report because it is shown in the Strategic Report under s414C(11). The Strategic Report includes a business review, significant events in the year, information on the company's key performance indicators and future developments.

ARBOR FOREST PRODUCTS LIMITED

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


Post balance sheet events

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

Auditor

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

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



.....
A P Howarth
Director

Date: 25.9.2023

ARBOR FOREST PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARBOR FOREST PRODUCTS LIMITED

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

ARBOR FOREST PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARBOR FOREST PRODUCTS LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

ARBOR FOREST PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARBOR FOREST PRODUCTS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- tested journal entries to identify unusual transactions.
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

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

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non compliance with laws and regulations and cannot be expected to detect all fraud and non compliance with laws and regulations.

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

ARBOR FOREST PRODUCTS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARBOR FOREST PRODUCTS LIMITED
(CONTINUED)**

Use of our report

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



Simon Turner (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Leeds

Date: 28-9-2023

ARBOR FOREST PRODUCTS LIMITED

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

	Note	2023 £000	2022 £000
Turnover	4	125,975	171,694
Cost of sales		(89,633)	(119,359)
Gross profit		36,342	52,335
Administrative expenses		(21,166)	(23,026)
Other operating income	5	223	211
Operating profit	6	15,399	29,520
Interest receivable and similar income		153	-
Interest payable and similar expenses	10	(52)	(28)
Profit before tax		15,500	29,492
Tax on profit	11	(2,951)	(5,625)
Profit for the financial year		12,549	23,867

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

There was no other comprehensive income for 2023 (2022: £NIL).

The notes on pages 14 to 28 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED
REGISTERED NUMBER: 00501259

BALANCE SHEET
AS AT 31 MARCH 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	13	17,828	14,001
		<u>17,828</u>	<u>14,001</u>
Current assets			
Stocks	14	17,978	21,548
Debtors: amounts falling due within one year	15	23,856	34,040
Cash at bank and in hand	16	40,552	23,811
		<u>82,386</u>	<u>79,399</u>
Creditors: amounts falling due within one year	17	(13,587)	(18,255)
Net current assets		<u>68,799</u>	<u>61,144</u>
Total assets less current liabilities		<u>86,627</u>	<u>75,145</u>
Creditors: amounts falling due after more than one year	18	(1,495)	(2,099)
Provisions for liabilities			
Deferred tax	20	(1,572)	(298)
Other provisions	21	(602)	(531)
		<u>(2,174)</u>	<u>(829)</u>
Net assets		<u><u>82,958</u></u>	<u><u>72,217</u></u>
Capital and reserves			
Called up share capital	22	30	30
Profit and loss account	23	82,928	72,187
		<u>82,958</u>	<u>72,217</u>

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



.....
A P Howarth
 Director

Date: 25.9.2023

The notes on pages 14 to 28 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2021	30	51,918	51,948
Profit for the year	-	23,867	23,867
Dividends: Equity capital	-	(3,598)	(3,598)
At 1 April 2022	30	72,187	72,217
Profit for the year	-	12,549	12,549
Dividends: Equity capital	-	(1,808)	(1,808)
At 31 March 2023	30	82,928	82,958

The notes on pages 14 to 28 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED

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

1. General information

Arbor Forest Products Limited (the "Company") is a private company limited by shares and is a company incorporated and domiciled in the UK. The registered office of the company is The Lincoln Castle Lincoln Castle Way, New Holland, Barrow-Upon-Humber, North Lincolnshire, England, DN19 7RX.

The principal activity of the company continued to be the import, processing and sale of timber products.

The financial statements are prepared in sterling which is the functional currency of the company.

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 Financial Reporting Standard 102 and are available to the public and may be obtained from Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Revenue

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

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

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

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

ARBOR FOREST PRODUCTS LIMITED

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

2. Accounting policies (continued)

2.3 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 which covers all the groups trading entities.

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

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

The directors have prepared forecasts for the Group for a period to 31 March 2024. 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.

2.4 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Howarth Timber Group Limited as at 31 March 2022 and these financial statements may be obtained from Companies House in Cardiff.

ARBOR FOREST PRODUCTS LIMITED

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

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.6 Operating leases: the Company as lessee

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

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

2.7 Interest income

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

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

ARBOR FOREST PRODUCTS LIMITED

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

2. Accounting policies (continued)

2.10 Taxation

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

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

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

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

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

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

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

ARBOR FOREST PRODUCTS LIMITED

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

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method or reducing balance basis.

Depreciation is provided on the following basis:

Freehold property	- 4% p.a. reducing balance
Plant and machinery	- 3 - 10 years straight line
Motor vehicles	- 4 - 7 years straight line
Fixtures and fittings	- 4 - 7 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Assets in course of construction

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

2.12 Stock

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

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

2.13 Debtors

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

2.14 Cash and cash equivalents

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

ARBOR FOREST PRODUCTS LIMITED

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

2. Accounting policies (continued)

2.15 Creditors

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

2.16 Provisions for liabilities

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

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

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

2.17 Financial instruments

Financial assets

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

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

2.18 Dividends

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

ARBOR FOREST PRODUCTS LIMITED

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

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

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

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

If the revision affects both current and future periods, the revision will impact both the period of the revision and future periods.

Trade Debtors (note 15)

The directors consider that material estimates and judgements are applied in assessing the recoverable amount of trade debtors. The directors assess historic recovery rates and identify individual trade debtor balances that have passed their credit terms when assessing recoverable amount. Where individual balances are identified as past due the directors assess the balance on its own merits in assessing whether it is appropriate to recognise a bad debt or not against the balance.

Stock (note 14)

The directors consider that material estimates and judgements are applied in assessing the net realisable value of stock. The directors assess stock ageing and historic stock turn information to identify slow moving stock lines that may be at risk of not being realised in excess of their carrying value. Specific items identified as slow moving are subject to provision where the directors assess, based on their experience, that the stock line will not be realised at its carrying value.

Customer and supplier rebates (note 15 &16)

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

4. Turnover

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

	2023 £000	2022 £000
Sale of goods	125,975	171,694
	<u>125,975</u>	<u>171,694</u>

All turnover arose within the United Kingdom.

ARBOR FOREST PRODUCTS LIMITED

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

5. Other operating income

	2023 £000	2022 £000
Rental income	223	211
	<u>223</u>	<u>211</u>

Rental income represents the rental of tangible fixed assets to other Group companies.

6. Operating profit

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

	2023 £000	2022 £000
Depreciation	2,943	2,473
Exchange differences	(296)	(46)
Other operating lease rentals	712	736
	<u>712</u>	<u>736</u>

7. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates in connection with:		
Auditing of Company accounts	25	23

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent Company.

ARBOR FOREST PRODUCTS LIMITED

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

8. Employees

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

	2023 £000	2022 £000
Wages and salaries	7,375	7,664
Social security costs	644	623
Cost of defined contribution scheme	280	325
	<u>8,299</u>	<u>8,612</u>

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

	2023 No.	2022 No.
Production	109	124
Selling and distribution	58	58
Administration	16	20
	<u>183</u>	<u>202</u>

9. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	432	412
Company contributions to defined contribution pension schemes	55	56
	<u>487</u>	<u>468</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £212,000 (2022 - £202,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £39,000 (2022 - £41,000).

10. Interest payable and similar expenses

	2023 £000	2022 £000
Other interest payable	52	28
	<u>52</u>	<u>28</u>

ARBOR FOREST PRODUCTS LIMITED

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

11. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	1,677	5,328
Total current tax	<u>1,677</u>	<u>5,328</u>
Origination and reversal of timing differences	1,274	297
Total deferred tax	<u>1,274</u>	<u>297</u>
Taxation on profit on ordinary activities	<u>2,951</u>	<u>5,625</u>

Factors affecting tax charge for the year

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

	2023 £000	2022 £000
Profit on ordinary activities before tax	15,500	29,492
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	2,945	5,603
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	9	9
Non qualifying depreciation	24	23
Adjustments to tax charge in respect of prior periods	27	11
Change in rates of deferred tax to 25%	313	71
Capital allowances super deduction	(367)	(92)
Total tax charge for the year	<u>2,951</u>	<u>5,625</u>

Factors that may affect future tax charges

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

ARBOR FOREST PRODUCTS LIMITED

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

12. Dividends

	2023	2022
	£000	£000
Dividends paid	1,808	3,598
	1,808	3,598

13. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 1 April 2022	10,052	20,548	2,235	766	33,601
Additions	73	4,178	1,148	1,377	6,776
Disposals	-	(1,375)	(34)	-	(1,409)
At 31 March 2023	10,125	23,351	3,349	2,143	38,968
Depreciation					
At 1 April 2022	2,153	15,600	1,471	376	19,600
Charge for the year on owned assets	401	1,783	405	85	2,674
Charge for the year on financed assets	-	269	-	-	269
Disposals	-	(1,375)	(28)	-	(1,403)
At 31 March 2023	2,554	16,277	1,848	461	21,140
Net book value					
At 31 March 2023	7,571	7,074	1,501	1,682	17,828
At 31 March 2022	7,899	4,948	764	390	14,001

ARBOR FOREST PRODUCTS LIMITED

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

14. Stocks

	2023	2022
	£000	£000
Finished goods	17,827	21,327
Raw materials and consumables	151	221
	<u>17,978</u>	<u>21,548</u>

The carrying value of stocks are stated net of impairment losses totalling £1,375,000 (2022- £1,449,000). Impairment losses totalling £467,000 (2022 - £1,163,000) were recognised in profit and loss.

15. Debtors

	2023	2022
	£000	£000
Trade debtors	20,607	30,290
Amounts owed by group undertakings	1,407	1,175
Prepayments and accrued income	1,842	2,575
	<u>23,856</u>	<u>34,040</u>

Amount owed by group undertakings are unsecured, have no fixed repayment date and are repayable on demand.

16. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	40,552	23,811
	<u>40,552</u>	<u>23,811</u>

ARBOR FOREST PRODUCTS LIMITED

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

17. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Trade creditors	7,107	7,459
Amounts owed to group undertakings	154	210
Corporation tax	(568)	527
Other taxation and social security	1,951	4,295
Obligations under finance lease and hire purchase contracts	652	675
Accruals and deferred income	4,291	5,089
	<u>13,587</u>	<u>18,255</u>

Amount owed to group undertakings are unsecured, have no fixed repayment date and are repayable on demand.

18. Creditors: Amounts falling due after more than one year

	2023	2022
	£000	£000
Net obligations under finance leases and hire purchase contracts	1,495	2,099
	<u>1,495</u>	<u>2,099</u>

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023	2022
	£000	£000
Within one year	652	675
Between 1-5 years	1,495	2,099
	<u>2,147</u>	<u>2,774</u>

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

ARBOR FOREST PRODUCTS LIMITED

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

20. Deferred taxation

	2023 £000	2022 £000
At beginning of year	298	-
Utilised in the year	1,274	-
Charged to profit or loss	-	298
At end of year	1,572	298
	2023 £000	2022 £000
Accelerated capital allowances	1,572	298
	1,572	298

21. Provisions

	Other provision £000
At 1 April 2022	531
Charged to profit or loss	71
At 31 March 2023	602

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

ARBOR FOREST PRODUCTS LIMITED

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

22. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
30,000 (2022 - 30,000) Ordinary shares of £1.00 each	30	30

23. Reserves

Profit and loss account

This reserve represents cumulative profits and losses, net of any dividends paid.

24. Contingent liabilities

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

25. Capital commitments

During the year ended 31 March 2023, the company entered into a contract to purchase property, plant and equipment for £11,195 (2022: £2,410,528).

26. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £280,171 (2022: £324,561). There were no contributions payable to the fund at the current or previous year end by the company.

27. Related party transactions

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

28. Controlling party

The Company is a subsidiary undertaking of Howarth Timber Group Limited which is the ultimate parent company incorporated in the UK. The ultimate controlling party is Howarth Timber Group Limited. Howarth Timber Group Limited is the largest and smallest group into which the company is consolidated. Copies of the consolidated financial statements of Howarth Timber Group Limited are available from Prince Edward Works, Pontefract Lane, Leeds, West Yorkshire, LS9 0RA.