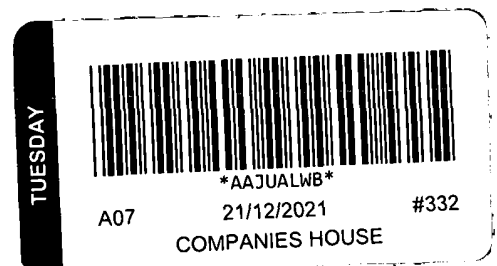


Registered number: 00501259

ARBOR FOREST PRODUCTS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**



ARBOR FOREST PRODUCTS LIMITED

COMPANY INFORMATION

Directors

A P Howarth
N D Howarth
J Ostler
P A Yell

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

CONTENTS

	Page
Strategic Report	1 - 4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 10
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 33

ARBOR FOREST PRODUCTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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

The year to 31 March 2021 has been turbulent, mainly due to the Covid 19 impact on our markets, global timber prices and supply chain disruption. When we started the year the country was in the first lockdown, the majority of staff were furloughed except for a skeleton distribution staff, a large proportion of our customers were closed, and the business was facing uncertainty as to what trading would look like. As lockdown continued, and with good weather in the UK, demand for landscaping products took off in the UK, as well as other DIY products, leading to increased demand as we entered the summer months. This increased demand, coupled with supply issues, led to demand outstripping supply, the majority of products been on allocation from the summer months, and high demand. Timber price inflation returned during the year and this has accelerated as we have moved through the year, with prices on certain grades doubling over a 12 month period.

Overall, the above has had a positive effect on the business during the current year, with volumes up on the prior year and a greater mix of products sold been value added products.

Turnover was up 31% to £125.7m (2020: £95.9m), with around half of this due to volume growth and the remainder due to timber price inflation. Timber price inflation accelerated in the second half of the financial year and has continued after the year end.

Due to higher volumes, the business has operated more efficiently than in prior years on machined products which attract higher margins. In addition, the company has invested in and brought online a new high speed photo graded sawline capable of much higher output than our other saw lines, to enable a greater volume of value added products to be processed inhouse. The increase in production has also led to increased production of shavings waste which was sold on at higher prices than usual in the year generating an additional £0.7m profit compared to prior year.

As a result of the above increased volumes, efficiencies and market characteristics experienced in the year the Company has achieved an increase in operating profits to £17.8m (2020: £6.4m).

ARBOR FOREST PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Key performance indicators

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

Financial	2021	2020	Measure
Return on capital	34%	16%	Profit before tax/net assets
Current ratio	2.90	3.32	Current assets/current liabilities
Stock turnover	8.1	7.5	Turnover/stock
Days debtors	81	65	Trade debtor's/turnover x 365
	£'000	£'000	
Sales per employee	683	558	Turnover/average number of employee
Operating profit per employee	97	37	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. The debtor days number in the table is based on the annual accounts, and is skewed due to higher invoiced sales in March 2021. Key performance ratios are used to monitor the use of working capital and cost controls, in particular employment costs which make up over 38% of the company overhead costs.

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.

Covid 19: the pandemic has caused enormous disruption worldwide and the true economic implications are yet to be seen. Operationally, the business has implemented new ways of working in the business in order that we operate safely and in line with government guidance. The impact on demand for our products has been positive on the whole, but as we move out of the grip of the pandemic in 2021, and consumer spend potentially moves away from home improvements, this could impact the business.

ARBOR FOREST PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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, with the new high speed saw line commission in the current year and additional storage space being constructed which will be completed by the end of Q2 2021. This puts the business in a good position to continue to develop in the future and further diversify the customer and product base. Timber price inflation, and the anticipated deflation to follow, are leading to more uncertainty on future trading in the short term, but overall the markets in which we operate have proved robust through the pandemic, and general construction forecasts are also positive.

Arbor Forest Products will continue to invest in both plant and machinery and site capacity to meet a growing demand for its products and management are confident that it will be able to continue to grow in the 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.

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.

ARBOR FOREST PRODUCTS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

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 Timber) 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 on *17 December 2021* and signed on its behalf.



A P Howarth
Director.

ARBOR FOREST PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

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 £14,380,000 (2020 - £5,509,000).

The dividends paid in the year by the company were £2,180,000 (2020: £1,740,000).

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

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 2021**

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

The auditor, Armstrong Watson Audit Limited, were appointed during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 December 2021 and signed on its behalf.



A P Howarth
Director

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 2021, 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 2021 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:

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company 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.

ARBOR FOREST PRODUCTS LIMITED

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

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.

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.

Ross Preston

Ross Preston (Senior Statutory Auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants & Statutory Auditors

Leeds

17 December 2021

ARBOR FOREST PRODUCTS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £	Restated 2020 £000
Turnover	4	125,732	95,901
Cost of sales		(86,339)	(71,603)
Gross profit		39,393	24,298
Administrative expenses		(21,961)	(18,173)
Other operating income	5	370	256
Operating profit	6	17,802	6,381
Interest receivable and similar income	10	-	74
Interest payable and similar expenses	11	(21)	(18)
Profit before tax		17,781	6,437
Tax on profit	12	(3,401)	(928)
Profit for the financial year		14,380	5,509

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 14 to 33 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED
REGISTERED NUMBER: 00501259

BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	14	12,402	6,790
		<u>12,402</u>	<u>6,790</u>
Current assets			
Stocks	15	15,507	12,781
Debtors: amounts falling due within one year	16	31,963	21,170
Cash at bank and in hand	17	12,693	13,716
		<u>60,163</u>	<u>47,667</u>
Creditors: amounts falling due within one year	18	(20,202)	(14,332)
Net current assets		<u>39,961</u>	<u>33,335</u>
Total assets less current liabilities		<u>52,363</u>	<u>40,125</u>
Creditors: amounts falling due after more than one year	19	-	(65)
Provisions for liabilities			
Other provisions	22	(415)	(312)
		<u>(415)</u>	<u>(312)</u>
Net assets		<u><u>51,948</u></u>	<u><u>39,748</u></u>
Capital and reserves			
Called up share capital	23	30	30
Profit and loss account	24	51,918	39,718
		<u>51,948</u>	<u>39,748</u>

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



A P Howarth
Director

17 DECEMBER 2021

The notes on pages 14 to 33 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 April 2019 (as restated)	30	35,949	35,979
Comprehensive income for the year			
Profit for the year	-	5,509	5,509
Total comprehensive income for the year	-	5,509	5,509
Dividends: Equity capital	-	(1,740)	(1,740)
Total transactions with owners	-	(1,740)	(1,740)
At 1 April 2020 (as restated)	30	39,718	39,748
Comprehensive income for the year			
Profit for the year	-	14,380	14,380
Total comprehensive income for the year	-	14,380	14,380
Dividends: Equity capital	-	(2,180)	(2,180)
Total transactions with owners	-	(2,180)	(2,180)
At 31 March 2021	30	51,918	51,948

The notes on pages 14 to 33 form part of these financial statements.

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

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.

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 revolving credit facility was renewed at an increased facility level of £10m 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 company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the company has held discussions with its bankers about its future borrowing needs and no matters have been drawn to the attention of the directors to suggest that renewal will not be forthcoming on acceptable terms.

The directors have prepared forecasts for the Group for a period to 31 March 2023. These forecasts have then been further sensitised for severe, but plausible downside scenarios, in relation to a further decline in sales, an increase in overhead costs and increased working capital requirements.

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

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the signing of the financial statements. 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 2021 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 2021

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 Government grants

The job retention scheme income is recognised when there is reasonable assurance that the entity will comply with the conditions relating to the grant and that the grant will be received.

2.8 Interest income

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

2.9 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.

2.10 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 2021

2. Accounting policies (continued)

2.11 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.

2.12 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 2021

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 Debtors

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

2.15 Cash and cash equivalents

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

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.16 Creditors

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

2.17 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.

2.18 Financial instruments

Financial assets

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

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

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

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

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

Financial liabilities

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

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Accounting policies (continued)

2.18 Financial Instruments (continued)

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

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

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

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

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

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

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

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

There are no financial assets or liabilities which are held at fair value and therefore no financial instruments note is needed in the financial statements.

Offsetting

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

2.19 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 2021

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

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

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.

Impairment of Tangible Fixed Assets

The directors consider whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

4. Turnover

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

	2021 £000	2020 £000
Sale of goods	125,732	95,901
	<u>125,732</u>	<u>95,901</u>

All turnover arose within the United Kingdom.

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

5. Other operating income

	2021	2020
	£000	£000
Rental income	82	225
Net gain on disposal of tangible fixed assets	-	31
JRS furlough income	288	-
	<u>370</u>	<u>256</u>

6. Operating profit

The operating profit is stated after charging:

	2021	2020
	£000	£000
Depreciation	2,439	1,721
Exchange differences	352	(49)
Other operating lease rentals	3,722	3,340
Profit on disposal of fixed assets	-	31
	<u>-</u>	<u>31</u>

7. Auditor's remuneration

	2021	2020
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	23	29
	<u>23</u>	<u>29</u>

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 2021**

8. Employees

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

	2021	<i>2020</i>
	£000	<i>£000</i>
Wages and salaries	7,365	<i>6,295</i>
Social security costs	575	<i>510</i>
Cost of defined contribution scheme	341	<i>311</i>
	8,281	<i>7,116</i>

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

	2021	<i>2020</i>
	No.	<i>No.</i>
Production	109	<i>108</i>
Selling and distribution	50	<i>42</i>
Administration	25	<i>22</i>
	184	<i>172</i>

9. Directors' remuneration

	2021	<i>2020</i>
	£000	<i>£000</i>
Directors' emoluments	500	<i>495</i>
Company contributions to defined contribution pension schemes	48	<i>19</i>
	548	<i>514</i>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £168,000 (2020 - £160,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £33,000 (2020 - £14,000).

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

10. Interest receivable and other income

	2021	<i>2020</i>
	£000	£000
Other interest receivable	-	74
	<u>-</u>	<u>74</u>
	<u>-</u>	<u>74</u>

11. Interest payable and similar expenses

	2021	<i>Restated</i>
	£000	<i>2020</i>
		£000
Other interest payable	21	18
	<u>21</u>	<u>18</u>
	<u>21</u>	<u>18</u>

12. Taxation

	2021	<i>2020</i>
	£000	£000
Corporation tax		
Current tax on profits for the year	3,343	991
Total current tax	<u>3,343</u>	<u>991</u>
Origination and reversal of timing differences	58	(63)
Total deferred tax	<u>58</u>	<u>(63)</u>
Taxation on profit on ordinary activities	<u>3,401</u>	<u>928</u>

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	<i>Restated</i>
	£000	2020
		£000
Profit on ordinary activities before tax	17,781	6,437
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	3,378	1,223
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1	8
Non-qualifying depreciation	23	22
Adjustments to tax charge in respect of prior periods	(1)	-
Group relief	-	(325)
Total tax charge for the year	3,401	928

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. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Dividends

	2021	2020
	£000	£000
Dividends paid	2,180	1,740
	<u>2,180</u>	<u>1,740</u>

14. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000
Cost or valuation					
At 1 April 2020 (as restated)	4,677	14,982	1,590	583	-
Additions	1,054	4,626	438	15	1,978
Disposals	(5)	(72)	(55)	(23)	-
At 31 March 2021	<u>5,726</u>	<u>19,536</u>	<u>1,973</u>	<u>575</u>	<u>1,978</u>
Depreciation					
At 1 April 2020 (as restated)	1,560	12,378	859	245	-
Charge for the year on owned assets	180	1,833	352	74	-
Disposals	(2)	(34)	(38)	(21)	-
At 31 March 2021	<u>1,738</u>	<u>14,177</u>	<u>1,173</u>	<u>298</u>	<u>-</u>
Net book value					
At 31 March 2021	<u>3,988</u>	<u>5,359</u>	<u>800</u>	<u>277</u>	<u>1,978</u>
At 31 March 2020 as restated	<u>3,117</u>	<u>2,604</u>	<u>731</u>	<u>338</u>	<u>-</u>

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

14. Tangible fixed assets (continued)

	Total £000
Cost or valuation	
At 1 April 2020 (as restated)	21,832
Additions	8,111
Disposals	(155)
At 31 March 2021	<u>29,788</u>
Depreciation	
At 1 April 2020 (as restated)	15,042
Charge for the year on owned assets	2,439
Disposals	(95)
At 31 March 2021	<u>17,386</u>
Net book value	
At 31 March 2021	<u><u>12,402</u></u>
<i>At 31 March 2020 as restated</i>	<u><u>6,790</u></u>

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

15. Stocks

	2021	2020
	£000	£000
Finished goods	15,370	12,653
Raw materials and consumables	137	128
	<u>15,507</u>	<u>12,781</u>

The carrying value of stocks are stated net of impairment losses totalling £286,000 (2020 - £335,000). Impairment losses totalling £NIL (2020 - £NIL) were recognised in profit and loss.

16. Debtors

	2021	2020
	£000	£000
Trade debtors	27,127	17,163
Amounts owed by group undertakings	1,261	792
Prepayments and accrued income	3,575	3,157
Deferred taxation	-	58
	<u>31,963</u>	<u>21,170</u>

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

17. Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	12,693	13,716
	<u>12,693</u>	<u>13,716</u>

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

18. Creditors: Amounts falling due within one year

	2021	<i>2020</i>
	£000	<i>£000</i>
Trade creditors	8,829	7,044
Amounts owed to group undertakings	319	298
Corporation tax	944	991
Other taxation and social security	4,794	2,046
Obligations under finance leases	65	302
Accruals and deferred income	5,251	3,651
	<u>20,202</u>	<u>14,332</u>

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

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

	2021	<i>Restated</i> <i>2020</i>
	£000	<i>£000</i>
Obligations under finance leases	-	65
	<u>-</u>	<u>65</u>

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021	<i>Restated</i> <i>2020</i>
	£000	<i>£000</i>
Within one year	65	302
Between 1-5 years	-	65
	<u>65</u>	<u>367</u>

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

21. Deferred taxation

	2021 £000	2020 £000
At beginning of year	58	58
Charged to profit or loss	(58)	-
At end of year	-	58

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	-	58
	-	58

22. Provisions

	Other provision £000
At 1 April 2020	312
Charged to other comprehensive income	103
At 31 March 2021	415

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

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
30,000 (2020 - 30,000) Ordinary shares of £1.00 each	30	30

24. Reserves

Profit and loss account

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

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

25. 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 2021 amounted to £nil (2020: £nil).

26. Capital commitments

During the year ended 31 March 2021, the company entered into a contract to purchase property, plant and equipment for £1,900,000 (2020: £3,715,000).

27. 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 £341,211 (2020: £310,859). There were no contributions payable to the fund at the current or previous year end by the company.

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.

ARBOR FOREST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

29. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2019. The impact of the transition to FRS 102 is as follows:

	As previously stated 1 April 2019 £000	Effect of transition 1 April 2019 £000	FRS 102 (as restated) 1 April 2019 £000	As previously stated 31 March 2020 £000	Effect of transition 31 March 2020 £000	FRS 102 (as restated) 31 March 2020 £000
Note						
Fixed assets	7,761	-	7,761	6,804	(14)	6,790
Current assets	44,752	-	44,752	47,664	2	47,666
Creditors: amounts falling due within one year	(15,926)	-	(15,926)	(14,342)	10	(14,332)
Net current assets	28,826	-	28,826	33,322	12	33,334
Total assets less current liabilities	36,587	-	36,587	40,126	(2)	40,124
Creditors: amounts falling due after more than one year	(367)	-	(367)	(66)	1	(65)
Provisions for liabilities	(240)	-	(240)	(312)	-	(312)
Net assets	35,980	-	35,980	39,748	(1)	39,747
Capital and reserves	35,980	-	35,980	39,748	(1)	39,747

ARBOR FOREST PRODUCTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

29. First time adoption of FRS 102 (continued)

	<i>As previously stated 31 March 2020 £000</i>	<i>Effect of transition 31 March 2020 £000</i>	FRS 102 (as restated) 31 March 2020 £000
Note			
Turnover	95,901	-	95,901
Cost of sales	(71,641)	38	(71,603)
	<u>24,260</u>	<u>38</u>	<u>24,298</u>
Administrative expenses	(18,173)	-	(18,173)
Other operating income	294	(38)	256
	<u>6,381</u>	<u>-</u>	<u>6,381</u>
Operating profit	6,381	-	6,381
Interest receivable and similar income	74	-	74
Interest payable and similar charges	(19)	1	(18)
Taxation	(928)	-	(928)
	<u>5,508</u>	<u>1</u>	<u>5,509</u>
Profit on ordinary activities after taxation and for the financial year	5,508	1	5,509

Explanation of changes to previously reported profit and equity:

- 1 Goodwill on business combinations was not previously amortised under FRS 101. The useful life of the goodwill has been assessed as 10 years. A right of use asset and associated creditor in respect of lease obligations was recognised under FRS 101.