Registered number
03071064

Metsa Wood UK Limited

Report and Financial Statements

31 December 2021

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COMPANIES HOUSE

Report and accounts

Contents

Company information

Directors

Henrik Soderstrom

Alice Olsson

Matti Pajula

Jaakko Anttila appointed 11th February 2022

Secretary

Alice Olsson

Auditor

KPMG LLP

St Nicholas House

31 Park Row, Nottingham

Nottinghamshire, NG1 6FQ

Registered office

Old Golf Course

Fishtoft Road, Boston

Lincolnshire, PE21 0BJ

Registered number

03071064

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks affecting the company are:

Economic and Market risk

The company is directly impacted by the uncertainty of the conflict in Ukraine, the Brexit environment and the ongoing COVID-19 pandemic, as are the company's main customers. The company experienced exceptional demand in 2021 driving volume of sales, in Q4 2021 this volume started to deteriorate and the outlook worsened. The stock exchange market fluctuation impacts growth in the company's pension scheme assets and liabilities and the size of any surplus or deficit. Post year end the company have supported the trustees to insure this risk (see note 24) The company has also experienced significant inflationary impacts and market downturn in 2022 and has made some changes to its operating model to ensure efficiency and going concern.

Liquidity and Interest rate risk

The Metsa Group treasury manages the risks relating to interest rates and liquidity. It is not the company's policy to use financial instruments.

Credit risk

The company uses comprehensive credit checks, backed by credit insurance to mitigate risk.

Foreign exchange risk

The company is exposed to movements in foreign exchange rates, where it purchases goods in foreign currencies having given firm prices in Sterling. Agreements are in place to review selling prices where movements in currency exceed an agreed level.

Pension risk

The company is exposed to movements in asset and liability value in regards to the defined benefit pension scheme. The trustees of the scheme manage the risk through employment of suitably qualified persons and regularly review the status. In 2022 the trustee have insured the schemes liabilities (see note 24).

Strategic report (continued)

SECTION 172 STATEMENT

The Directors have acted in good faith with regard to their obligations under Section 172, a-f. The Directors hold regular board meetings to discuss and decide key topics and review a range of KPIs to understand and communicate business risk with a view to stakeholder and shareholder management.

a) Likely consequences of any decision in the long term

The Directors ensure adequate and appropriate sensitivity analysis, feasibility tests and forecasts are reviewed prior to making any long or short term decisions that may affect the performance of the business. Regular board and management meetings are held to review the long term targets of the organisation and ensure that any decision making is fully aligned to the long-term purpose and strategic objectives of the business. In reviewing the company strategy, the Directors review market and industry information, liaise with customers, suppliers and other stakeholders to understand their objectives and long term plans in assessing risk and opportunities and developing strategic direction. A summary of the key risks to the business are shown in the strategic report under the heading "Principle Risks and Uncertainties".

b) Interests of the company's employees

Our responsible management practices are based on our values and they create a foundation for everything we do. We believe that employees who are committed to our values, and our company, is what differentiates us as a business.

The Directors take decisions in accordance with preserving the company's going concern and maximising shareholder value, thereby ensuring adequate and sustainable long term employment of its employees. The Directors also adhere to a strict code of conduct, health and safety of our employees is paramount, we monitor and fully investigate any health and safety incidents, ensure we report within appropriate deadlines to regulatory bodies and proactively monitor hazard and risk reporting data to minimise the risk of accidents and safeguard our employees.

Job satisfaction and the functionality of the organisation is monitored annually through an organisational functionality survey and a variety of other personnel surveys.

Employees are updated on the performance of the business against set KPIs to ensure they are adequately informed and understand the results.

c) Fostering the company's business relationships with suppliers, customers and others

Wood is the main raw material used in our production. In order to ensure that all the wood used for manufacturing purposes originates from sustainable sources and suppliers, all of our production sites are third party chain of custody certified (PEFC and/or FSC). This ensures full traceability of our raw materials. In addition to the Supplier Code of Conduct, supplier audits and evaluations are performed and further sustainability requirements are often agreed in the contracts. These forest certification schemes also have strict requirements for labour conditions.

The groups modern slavery statement, to which, Metsa Wood UK Limited is compliant can be found here: https://www.metsagroup.com/en/Documents/Sustainability/Metsa-Group-Modern-Slavery-Act-Transparency-Statement.pdf

Strategic report (continued)

Products made from renewable raw materials help to reduce dependence on fossil resources and offer sustainable choices for everyday life. We want to ensure that our suppliers follow our high ethical standards.

d) Impact of the company's operations on the community and the environment

The Directors understand that the company is a key local employer and monitor the business performance against key performance indicators to ensure adequate going concern to protect the local communities employment status.

Metsä Group has an 85-year history as a builder of, and forerunner in, sustainable forestry and forest-based industry. Climate change concerns us all, and our future must be based on the use of renewable resources. Northern wood is the world's best renewable raw material and the core of our business. Our carbon storing and recyclable products made from renewable raw materials offer sustainable solutions for global challenges with 100% traceability. We ensure sustainable forest management, wood supply and operations in forests. Where we operate, forests grow more than they are used.

e) Desirability of the company to maintain a reputation for high standards of business conduct

Our ethical foundation is our Code of Conduct, which we renewed in early 2019 and which we extensively trained our personnel during the year. We monitor the ethical performance of the business. All our personnel are expected to comply with applicable laws, act with integrity and make ethically sound decisions in their daily work. We also require the same level of ethical business practices from our suppliers – these practices and principles are stated in our Code of Conduct for Suppliers.

In 2019, the business launched an updated Compliance and Ethics Channel. It is hosted by a third party and notifications can be made anonymously – meaning that anonymity and impartiality are underlined. Metsä Group is committed to responsible business practices and expects the same from our business partners

f) Act fairly as between members of the company.

The Directors understand the requirements of the persons of significant control and the shareholders of the business in equal measure. The Directors treat all stakeholders fairly and reasonably.

Strategic report (continued)

FUTURE DEVELOPMENTS

Efforts to diversify the customer base and product base have been successful through 2021, the market downturn impacting Q4 2021 is expected to continue, this will impact profitability through 2022 and the business will organise itself to minimise impact of reduced demand and the inflationary market dynamics by driving forward cost reduction and efficiency programs.

DEFINED BENEFIT PENSION SCHEME

The company closed the scheme to future accrual from 31 March 2016. In July 2022 the trustee procured insurance for the retirement benefit (see note 24).

KEY PERFORMANCE INDICATORS

The company regards gross profit percentage, operating profit on sales and return on capital employed as key financial indicators. These are assessed against budgets and the previous year.

The gross profit percentage decreased from 19.6% in 2020 to 18.2 % in 2021.

Operating profit on sales has decreased from a profit of 3.0% in 2020 to a profit of 2.2% in 2021.

All functions monitor their own performance by relevant measures such as unit costs of production, delivery costs per cubic metre and reportable accidents.

This report was approved by the board on **8 December 2022** and signed on its behalf.

A Olsson

Alice Olsson

Director

Registered office:

Metsa Wood UK Limited,

The Old Golf Course,

Fishtoft Road, Boston,

Lincolnshire, PE21 0BJ

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021. The profit before tax for the financial year is £4.2million (2020: £3.9million) on sales of £216.4 million (2020: £149.7 million).

Principal activities

The company's principal activity during the year continued to be that of importer, processor and distributor of timber and allied products.

Future developments

Whilst the 2021 year end closed above budget, this is in spite of the challenges faced during the year in respect of Covid-19. The market outlook has deteriorated through 2022 and this will impact 2022 performance. Inflationary pressures drive lower leisure related spend particularly in the DIY sector. Despite the business growing volume and making significant new contracts and frame agreements with customers since 2019, the overall market demand is declining. The business is focusing efforts on improving efficiency and rescaling operations to deliver at the new volume levels and manage the cost and efficiency influences on the business.

Actions have been taken to mitigate key risk areas including but not limited to; stock holding optimisation, currency protection in group, harmonisation of group processes, internal controls review and implementation and transportation efficiency review.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The following persons served as directors during the year:

Henrik Soderstrom

Matti Pajula

Alice Olsson

The directors holding office at 31 December 2021 did not hold any beneficial interest in the issued share capital of the company at 1 January 2021 (or date of appointment if later) or 31 December 2021.

None of the directors own shares in Metsa Wood UK Limited.

One director has been appointed post balance sheet date and this was Jaakko Antilla appointed 11th February 2022 with no known conflicts of interest.

Political Donations

Political donations in the year were £nil (2020: £nil).

Directors' report (continued)

Employees

The group's policy is to consult and discuss with employees, through meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Metsä is committed to treating everyone in an equal, fair and respectful manner. Discrimination is not permitted in any way or form. All operations are guided by Metsä Group's values: responsible profitability, reliability, cooperation and renewal. Metsä assesses the realisation of equality at the workplace on a regular basis and develops working conditions and operating methods which advance the realisation of an equal workplace community. The goal is equal treatment and on discriminatory processes in recruitment, career development, access to training, the division of duties, working conditions, compensation and benefits, the development of the workplace community as well as in other work-related practices . The entire personnel must comply with the rules and principles outlined in the Metsä Group's Equality Policy.

Corporate Responsibility

Metsa Wood UK Limited recognises and acknowledges that social and environmental responsibilities are important to corporate productivity and profitability, and are part of a sound business strategy. We appreciate that as a part of a large corporation we have both local and global impacts on the environment and communities, as well as a commitment to meeting customer demands, improving performance and maintaining a highly motivated and trained workforce.

Energy and carbon report for the year ending 31 December 2021

		UK
	Emissions Scope	tonnes CO2e
Emissions from combustion of gas (tab No.1, 7 & 8)	1	1107.68
Emissions from combustion of fuel for transport purposes (tab No.2 + 4)	1	1503.54
Emissions from purchased electricity (tab No.3)	2	2407
Scope 1 + 2		**5018.22**
Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel (tab No.5 & 6)	3	63
Scope 1 + 2 + 3		**5081.22**
Underlying energy (kWh)		**22,411,077.10**
000s kg CO2e / [2021 UK Sales] (Scope 1 + 2)		**24126.08**
000s kg CO2e / [2021 UK Sales] (Scope 1 + 2 + 3)		**24428.94**

Directors' report (continued)

Energy and carbon report for the year ending 31 December 2021 (continued)

Energy totals have been formulated using the Government 2021 emissions factors with raw data obtained from Metsa Wood Carbon Counter which is populated from monthly invoices.

Within Metsa Group, sustainability is integral to how we conduct business. The company works in line with UN Sustainable Development Goals with key objectives to increase the amount of carbon stored within the products, to safeguard biodiversity, to work towards fossil free mills and to maintain a sustainable supply chain. This commitment is maintained for Metsa Wood UK through the maintenance and improvement opportunities for waste streams, viability opportunities for renewable energy options, for maintenance of our ISO14001 standards and to investigate ways to reduce our energy consumption.

In 2021, we implemented a recycling program to divert plastic cover sheets from our raw materials from incineration. We improved our ability to understand energy trends and ran an energy awareness campaign to encourage employees to be more considerate within their working environment. This is in addition to the established processes which utilise our raw material utilisation for non-first purpose material i.e. sawdust and timber sales.

The methodology is consistent with the 2021 edition of the UK Government GHG Conversion Factors for Company Reporting.

Investment in People

We recognise that every business depends on people. Our custom built Timber Training Academy is used for training both our customers' staff and Metsa Wood employees. We deliver accredited training courses to our employees and customers as part of this process and to promote best practice.

Community Support

As an industry leader we are committed to building close links with the local communities in which we operate and believe in contributing to the well-being of the communities where business is conducted. We currently support and sponsor a range of initiatives from local community groups, school football teams, local individuals and members of staff.

Information Sharing

Metsa Wood is determined to ensure its customers are kept fully up to date and properly informed on all the key issues affecting the trade. Our information service includes well trained staff and a range of regularly updated fact sheets covering topics such as forest certification, legislation, product standards and product-specific health and safety issues.

Directors' report (continued)

Responsible Timber Procurement Policy

Metsa Wood UK Limited assesses all timber and timber product suppliers so we can clearly identify where all our timber has been sourced and employ risk analysis when making buying decisions. Independent credible evidence of sourcing and good forest management is sought from all our suppliers of wood and wood products to ensure that, as a minimum, the timber originates from legal and preferably well-managed sources.

As a minimum we monitor all our suppliers to avoid:

- wood harvested from forests that are threatened or valuable in terms of their habitat and biodiversity, unless they are certified;
- wood harvested from areas where levels of illegal logging are high unless the supplier is undergoing an independently verified improvement programme;
- wood harvested from forest areas where traditional or civil rights are violated;
- wood harvested from natural forests that have been converted to plantations; and
- wood harvested from genetically-modified trees.

We believe that active engagement is the way forward to work with suppliers to meet our requirements. We recognise the importance of government and non-governmental organisations when assessing or working with our suppliers. Sometimes, we alone cannot achieve our objectives and in this case we will enlist the support of independent third party organisations to ensure that suppliers work to improve their forestry or sourcing practices. As part of our policy commitment, we will set progressive targets to achieve our aim of being the UK's largest leading supplier of certified timber. This information is verifiable and frequently monitored as part of our externally audited PEFC and FSC Chain of Custody processes. Metsa Wood UK supports the work, and is a signatory of the Timber Trade Federation (Forests Forever) Responsible Timber.

Defined Benefit Pension Scheme

The company operates a defined benefit scheme which was closed to future accrual on 31 March 2016. A trustees' actuarial valuation of the defined benefit scheme was carried out on 5 April 2020. The company will contribute £950,000 per annum until the 5 December 2025, towards reducing the scheme's deficit in the trustee valuation (surplus in IAS19 valuation). Post balance sheet the trustee have insured the liabilities (see note 24) and have updated the schedule of contributions to reflect the surplus status.

Directors' report (continued)

Going Concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity, including managing its day to day working capital, in forming their opinion on the going concern basis. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides on the operations, it's available financial resources and the new economic and environmental factors influencing the business demand including the uncertainty of the conflict in Ukraine which has driven energy prices to soar, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Company's Parent Company, Metsäliitto Osuuskunta continuing to make funds available to the Company under the terms of the cash pooling agreement to allow it to continue to meet its liabilities as they fall due. The financing arrangements of the Company are robust. Metsa Wood UK Limited have an arranged cash pooling facility with Metsäliitto Osuuskunta. As at 31 December 2021 there was £21million of the facility utilised. This has reduced post balance sheet to £4million as at 31 October 2022. The facility was used to facilitate timing of investment in stocks for the 2022 spring season.

Metsäliitto Osuuskunta has the ability to provide continued support to this entity and also the intent to continue supporting this entity. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that:

- so far as that directors are aware, there is no relevant audit information of which the company's auditor is unaware, and

- those directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (continued)

Other Information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the strategic report in page 4.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 8 December 2022 and signed on its behalf.

Matti Pajula

Director

Registered office:

Metsa Wood UK Limited,

The Old Golf Course,

Fishtoft Road, Boston,

Lincolnshire, PE21 0BJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METSA WOOD UK LIMITED

Opinion

We have audited the financial statements of Metsa Wood UK Limited ("the company") for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analyzed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue and unrelated accounts and those posted to cash and unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation in respect of defined benefit pension schemes, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and certain aspects of company legislation recognizing the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing 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, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METSA WOOD UK LIMITED - continued

Strategic report and directors' report (continued)

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METSA WOOD UK LIMITED - continued

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

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

Emma Mayer

Emma Mayer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

St Nicholas House, 31 Park Row, Nottingham, NG1 6FQ
Date: 8 December 2022

Income statement

for the year ended 31 December 2021

	Notes	2021	2020
		£'000	£'000
Turnover	3	216,463	149,717
Cost of sales		(177,098)	(120,373)
Gross profit		39,365	29,344
Distribution costs		(25,666)	(18,199)
Administrative expenses		(8,831)	(6,695)
Operating profit	4	4,868	4,450
Interest receivable	7	57	83
Interest payable	8	(718)	(625)
Profit before taxation		4,207	3,908
Tax on profit	9	(1,425)	(751)
Profit for the financial year		2,782	3,157

The accompanying notes form part of these financial statements

Statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021	2020
		£'000	£'000
Profit for the financial year		2,782	3,157
Other comprehensive income			
Items that will not be classified to profit or loss:			
Actuarial gains related to pension scheme	22	6,818	375
Deferred tax:			
Pensions – current year	9	(2,387)	(96)
Pensions – rate change		(255)	-
		4,176	279
Total comprehensive income for the year		6,958	3,436

The accompanying notes form part of these financial statements

Statement of financial position

for the year ended 31 December 2021

		Notes		2021		2020
				£'000		£'000
Fixed assets	Intangible assets	10		-		93
	Tangible assets	11		14,577		10,593
	Right of use assets	12		2,437		1,914
	Pension asset	22		11,635		3,816
				28,649		**16,416**
Current assets	Stocks	13	59,749		21,810	
	Debtors	14	29,442		34,429	
			89,191		**56,239**	
Creditors: amounts falling due						
within one year		15	(51,927)		(17,838)	
Net current assets				37,264		38,401
Total assets less current liabilities				**65,913**		**54,817**
Provision for liabilities						
Creditors: amount falling due						
after more than one year		16		(14,972)		(14,452)
Deferred tax liability		17		(4,303)		(685)
Net assets				**46,638**		**39,680**
Capital and reserves						
Called up share capital		18		30,000		30,000
Other reserves		19		627		627
Profit and loss account				16,011		9,053
Total equity				**46,638**		**39,680**

Matti Pajula, Director

Approved by the board on 8 December 2022.

Statement of changes in equity

for the year ended 31 December 2021

	Share capital £'000	Revaluation reserve £'000	Profit and loss £'000	Total £'000
At 1 January 2020	30,000	627	5,617	36,244
Total comprehensive income	-	-	3,436	3,436
At 31 December 2020	30,000	627	9,053	39,680
At 1 January 2021	30,000	627	9,053	39,680
Total comprehensive income	-	-	6,958	6,958
At 31 December 2021	30,000	627	16,011	46,638

The accompanying notes form part of these financial statements

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies

Metsa Wood UK Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 03071064 and the registered address is on page 3.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and

  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

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

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes to the Accounts

for the year ended 31 December 2020

1 Accounting policies (continued)

Going Concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity, including managing its day to day working capital, in forming their opinion on the going concern basis. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides on the operations, it's available financial resources and the new economic and environmental factors influencing the business demand including the uncertainty of the conflict in Ukraine which has driven energy prices to soar, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Company's Parent Company, Metsäliitto Osuuskunta continuing to make funds available to the Company under the terms of the cash pooling agreement to allow it to continue to meet its liabilities as they fall due. The financing arrangements of the Company are robust. Metsa Wood UK Limited have an arranged cash pooling facility with Metsäliitto Osuuskunta. As at 31 December 2021 there was £21million of the facility utilised. This has reduced post balance sheet to £4million as at 31 October 2022. The facility was used to facilitate timing of investment in stocks for the 2022 spring season.

Metsäliitto Osuuskunta has the ability to provide continued support to this entity and also the intent to continue supporting this entity. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Turnover is recognised when goods are despatched or services provided. The nature of goods sold by the company are timber and allied products to retailers and the construction industry.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and finance expense on lease liabilities (prior to 1 January 2019 finance leases under IAS 17) recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains and is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Leases

The Company has applied IFRS 16 throughout 2021.

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

As a lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Leases (continued)

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

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

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

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

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

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

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

1 Accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

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

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Notes to the Accounts

for the year ended 31 December 2021

1 Employee Benefits (continued)

Surplus recognition policy:

Metsa Wood UK Limited have assessed the requirements under IFRIC 14 and confirm the company must recognise any surplus of the defined benefit pension scheme due to the employer having an unconditional right to a refund of surplus for the purposes of and in accordance with the framework established under paragraph 11(b) of IFRIC 14.

Intangible fixed assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis as follows:-

Software - 5 years

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	up to 50 years
Leasehold land and buildings	-	over the lease term
Plant and machinery	-	5 - 15 years

Land is not depreciated.

Stocks

Stocks and work in progress are valued at the lower cost and net realisable value. Cost comprises the purchase price of raw materials and merchandise with the addition where appropriate, of labour and overhead costs incurred in bringing the product to its present location and condition. Stock is accounted for under the average costing method.

Net realisable value is the price at which stock can be realised in the normal course of business after allowing for costs of realisation. Provision is made for obsolete, slow moving and defective stock.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short term highly liquid investments. Cash and cash equivalents include items with original maturities of 6 months or less from the date of acquisition. The carrying amounts represent their fair value. As such no separate disclosure of fair value is required. All transactions are recognised on their transaction date.

Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. All transactions are recognised on their transaction date.

Creditors

Creditors are initially measured at fair value and afterwards measured by amortised cost. All transactions are recognised on their transaction date.

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax on defined benefit pension surplus

The company have applied the rate of 35% in calculating the deferred tax related to the surplus of the scheme. The company believe a refund of the scheme surplus will be on wind up of the scheme. This is a change in the year following the intention to complete an insurance buy in during FY22 (see note 24) and the corresponding planned reduction of contributions into the scheme to nil.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Provisions

Provisions (i.e. liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Financial instruments (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60days past due.

Notes to the Accounts

for the year ended 31 December 2021

1 Accounting policies (continued)

Financial instruments (continued)

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Government Grants

Government grants in relation to the Job Retention Scheme have been recognised in the profit and loss account as a reduction in expenses. The income has been recognised in the period in order to match it against the costs to which it relates.

Share Capital

Ordinary shares and redeemable, non-cumulative preferences shares are classified as equity. The dividends on these preference shares are recognised in shareholders' funds.

Notes to the Accounts

for the year ended 31 December 2021

2 Significant accounting estimates and judgements

The preparation of these financial statements required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and/or notes to the financial statements and the key areas are summarised below.

Defined benefit pension – Significant estimate

The costs, assets and liabilities of the defined benefit pension scheme operating within the Company are determined using methods relaying on actuarial estimates and other assumptions. The key assumption used is discount rate. Any change in this assumption will impact the present value of the defined benefit obligation. Further information about this assumption and estimation uncertainty is included in note 22.

Recent economic circumstances and volatility in financial markets has caused the valuation of pension assets to become subject to a greater degree of uncertainty. In particular there is a much less active market in certain asset classes (such as corporate bonds, property and unquoted private equity investments). The fair value of the pension assets is determined based on valuations obtained from third parties and employ a variety of methods. Where available this will typically be the market price at the balance sheet date. However, for certain asset types other valuation methods are used including net asset valuation which involves a higher degree of estimation and subjectivity.

An employer's covenant assessment has been carried out by the trustees at the end of April 2020 to include the worst case Covid 19 impact assessment. The Trustees continue to rate the UK business as slightly strong. Metsa Wood UK Limited have consistently committed to the deficit recovery plan agreed with the trustees, there has been no deviation to this in light of the Covid 19 impacts. The investment strategy has been reviewed by the Trustees in light of the Covid 19 impacts and no change is recommended. The asset and liabilities within the scheme have also been assessed and reviewed against industry benchmarks and the impact to the scheme is limited by some movements the Trustees made between LDI funds during Q1.

Notes to the Accounts

for the year ended 31 December 2021

3	**Analysis of turnover**	**2021**	**2020**
		£'000	**£'000**
	Sale of goods	216,463	149,717
		216,463	149,717
	By geographical market:		
	UK	211,486	147,975
	Europe	2,452	1,539
	Rest of world	2,525	203
		216,463	149,717

4	**Operating profit**	**2021**	**2020**
		£'000	**£'000**
	This is stated after charging:		
	Depreciation of owned fixed assets	681	682
	Depreciation of right of use assets	1,062	932
	Amortisation of intangible assets	93	279
	Research and development expenditure	67	65
	Auditor's remuneration for audit services	66	54

The auditor has not provided, nor received compensation for additional services.

Notes to the Accounts

for the year ended 31 December 2021

5	Staff costs	2021	2020
		£'000	£'000
	Wages and salaries	16,627	13,882
	Social security costs	1,586	1,338
	Other pension costs	915	766
		19,128	15,986
	Average number of employees during the year	Number	Number
	Sales & Administration	107	94
	Manufacturing & Distribution	357	306
		464	400
	Directors' emoluments	2021	2020
		£'000	£'000
	Emoluments	355	344
	Company contributions to defined contribution pension plans	39	25
		394	369
	Highest paid director:	2021	2020
		£'000	£'000
	Emoluments	217	224
	Company contributions to defined contribution pension plans	-	-
		217	224

Number of directors to whom retirement benefits accrued:

	2021	2020
Defined contribution plans	1	1
Defined benefit plans	-	-

Notes to the Accounts

for the year ended 31 December 2021

5 Staff costs – continued

Only two of the company's directors are paid by the UK business, and only one receives retirement benefits accrued in the UK. The third director does not provide significant services to the entity and is therefore not remunerated by Metsa Wood UK Limited

6 Leases

The information provided, together with the information provided in the statement of financial position and statement of profit or loss, should give a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Right of use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 12):

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

2021 - Leases under IFRS 16	**2021**	**2020**
	£'000	**£'000**
Interest expenses on lease liabilities (note 8)	58	34
Lease expenses	414	197
	472	231

Lease liabilities

The lease liabilities relating to right of use assets are shown in note 15 and note 16.

7	**Interest receivable and similar income**	**2021**	**2020**
		£'000	**£'000**
	Group interest	6	25
	Net income on pension	51	58
		57	83

Notes to the Accounts

for the year ended 31 December 2021

8	Interest payable	2021	2020
		£'000	£'000
	Interest on intercompany loan	311	358
	Other loans	349	233
	Lease interest	58	34
		718	625

9	Taxation	2021	2020
		£'000	£'000
	Analysis of charge in year		
	Current tax:		
	UK corporation tax on profits of the year	449	-
		449	-
	Deferred tax:		
	Current year	976	753
	Adjustments in respect of previous periods	-	(2)
		976	751
	Tax on profit on ordinary activities	1,425	751

Notes to the Accounts

for the year ended 31 December 2021

9 Taxation (continued)	2021	2020
	£'000	£'000
Other comprehensive income items:		
Current tax	-	-
Deferred tax current year charge	2,642	96
	2,642	96

Factors affecting tax charge for the year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2021	2020
	£'000	£'000
Profit on ordinary activities before taxation	4,207	3,908
Standard rate of corporation tax in the UK	19.00%	19.00%
	£000's	£000's
Profit on ordinary activities multiplied by the standard rate of corporation tax	799	742
Effects of:		
Expenses not deductible for tax purposes	4	5
Tax rate changes	342	-
Tax rate differences	229	(43)
Non qualifying depreciation	51	49
Adjustment to tax charge in respect of previous periods	-	(2)
Current tax charge for period	1,425	751

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This was substantively enacted on 24 May 2021. This will have a consequential effect on the Company's future tax charge. As the rate was substantively enacted at the balance sheet date, the rate has been used to recognise deferred tax assets and liabilities at the balance sheet date.

Notes to the Accounts

for the year ended 31 December 2021

10 Intangible fixed assets

Computer software	**£'000**
Cost	
At 1 January 2021 and 31 December 2021	4,549
Amortisation	
At 1 January 2021	4,456
Amortisation for the year	93
Amortisation on disposals	-
At 31 December 2021	4,549
Carrying amount	
At 31 December 2021	-
At 31 December 2020	93

The amortisation charge is recognised in the administrative expense line item in the income statement.

Notes to the Accounts

for the year ended 31 December 2021

11 Tangible fixed assets

	Freehold Property *At cost* £'000	Short Leasehold *At cost* £'000	Plant and Machinery *At cost* £'000	Total £'000
Cost				
At 1 January 2021	15,726	50	27,102	42,878
Additions	188	-	4,477	4,665
Disposals	-	-	(41)	(41)
At 31 December 2021	15,914	50	31,538	47,502
Depreciation				
At 1 January 2021	8,125	50	24,110	32,285
Charge for the year	275	-	406	681
On disposals		-	(41)	(41)
At 31 December 2021	8,400	50	24,475	32,925
Carrying amount				
At 31 December 2021	7,514	-	7,063	14,577
At 31 December 2020	7,601	-	2,992	10,593

As at 31 December 2021, plant and machinery included assets under construction with a carrying amount of £4,255,000 (2020: £450,000).

Notes to the Accounts

for the year ended 31 December 2021

12 Right of use assets

	Land& Water	Buildings & Constructions	Machinery & Vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2021	358	289	2,255	2,902
Additions	5	167	1,508	1,680
Disposals	-	-	(627)	(627)
At 31 December 2021	363	456	3,136	3,955
Depreciation				
At 1 January 2021	36	72	880	988
Charge for the year	36	149	877	1,062
On disposals	-	-	(532)	(532)
At 31 December 2021	72	221	1,225	1,518
Carrying amount				
At 31 December 2021	291	235	1,911	2,437
At 31 December 2020	322	217	1,375	1,914

13 Stocks

	2021	2020
	£'000	£'000
Raw materials and consumables	17,429	5,570
Work in progress	-	167
Finished goods and goods for resale	42,320	16,073
	59,749	21,810

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £163m (2021: £108.3m).

Notes to the Accounts

for the year ended 31 December 2021

13 Stocks - Continued

The write down of stocks to net realisable value amounted to £0.2m (2020: £0.2m). The write down and reversal are included in the cost of sales.

14 Debtors

	2021	2020
	£'000	£'000
Trade debtors	23,040	14,255
Amounts owed by group undertakings	162	150
Metsa Group Treasury Oy - intergroup clearance account	-	18,723
Corporation tax	780	185
Other debtors	20	100
VAT	3,744	-
Prepayments and accrued income	1,696	1,016
	29,442	34,429

The group and group treasury balances are repayable on demand. The Company participates in the Group's centralised treasury arrangements through a cash pool facility. Interest is charged at 30bp above base rate on the group treasury account.

15 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank overdrafts	79	79
Trade creditors	21,360	12,390
Amounts owed to group undertakings	3,128	1,797
Metsa Group Treasury Oy - intergroup clearance account	20,985	-
Other taxes and social security costs	430	383
VAT	-	929
Lease liabilities	760	709
Provisions	9	326
Accruals and deferred income	5,176	1,225
	51,927	17,838

Notes to the Accounts

for the year ended 31 December 2021

The group and group treasury balances are repayable on demand. The Company participates in the Group's centralised treasury arrangements through a cash pool facility. Interest is charged at 30bp above base rate.

16 Creditors: amounts falling due after more than one year	2021	2020
	£'000	£'000
Amount owed to group undertakings	13,251	13,263
Lease liabilities	1,721	1,189
	14,972	14,452

Settlement date on intercompany loan is 28/08/30. The interest rate was 2.25% until 28/08/2021 and then changed to 2.22% until 28/08/22

17 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets	-	-	231	114	231	114
Temporary differences trading	-	(12)	-	-	-	(12)
Tax losses carried forward	-	(142)	-	-	-	(142)
Pensions	-	-	4,072	725	4,072	725
Net tax (assets)/liabilities	-	(154)	4,303	839	4,303	685

Following a review of contributions into the pension scheme as part of the planned post year end insurance buy in transaction (see note 24), management now believe the most likely recovery of the pension surplus will be such that tax at 35% will be charged and therefore the deferred tax liability in relation to the pension surplus is recognised at 35% at 31 December 2021.

17 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	Fixed Assets	**Temporary differences trading**	**Tax losses carried forward**	**Pensions**
	£'000	**£'000**	**£'000**	**£'000**
1 January 2021	114	(12)	(142)	725
Recognised in income	117	12	142	705
Recognised in equity	-	-	-	2,642
31 December 2021	231	-	-	4,072

Movement in deferred tax during the prior year

	Fixed Assets	**Temporary differences trading**	**Tax losses carried forward**	**Pensions**
	£'000	**£'000**	**£'000**	**£'000**
1 January 2020	30	(10)	(595)	414
Recognised in income	84	(2)	453	215
Recognised in equity	-	-	-	96
31 December 2020	114	(12)	(142)	725

18	**Share capital**	**Nominal value**	**Number '000**	**2021 £'000**	**2020 £'000**
	Allotted, called up and fully paid:				
	Ordinary shares	£1 each	25,000	25,000	25,000
	Preference shares	£1 each	5,000	5,000	5,000
				30,000	30,000

19	Other reserves	2021	2020
	Revaluation reserve	£'000	£'000
	At 1 January 2021	627	627
	At 31 December 2021	627	627

20	Capital commitments	2021	2020
		£'000	£'000
	Amounts contracted for but not provided in the accounts	469	256

21 Related party transactions

The company has taken advantage of the exemption available under FRS 101 from the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

22 Employee benefit obligations

The Finnforest UK Pension Plan is made up of a defined contribution scheme and a defined benefit scheme, both administered by JLT Benefit Solutions Limited.

Finnforest UK Pension Plan - Group Personal Plan ("GPP")

The pension cost for the Plan, which represents contributions payable by Metsa Wood UK Limited, amounted to £914,884 (2020: £766,138) There are no outstanding contributions at the statement of financial position date (2020: £nil).

Finnforest UK Pension Plan - Defined Benefit Scheme

The Scheme is a funded defined benefit arrangement. The company operates a defined benefit scheme in the UK, which was closed to future accrual on 31 March 2016. The Scheme is exposed to the following risks:

- Financial risks from changing economic conditions, e.g. inflation and interest rate risks
- Longevity, i.e. the risk of benefits costing more due to members living longer.

Under UK pensions legislation, the company is responsible for funding the Scheme benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme liabilities are assessed at least every three years by the Scheme's actuary. It is the company's funding policy to annually contribute an amount agreed between the company and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore

Notes to the Accounts

for the year ended 31 December 2021

22 Employee benefit obligations (continued)

be volatile between actuarial valuations. This volatility of contribution amounts can be to the detriment of the company's cashflows and impacts on the Statement of Comprehensive Income. The volatility of the Scheme's liabilities against the assets held impacts on the company's statement of financial position.

Administration expenses incurred by the Plan are paid by the Company directly and therefore are not reported as part of the IAS 19 cost. The cost is instead recorded directly within the operating costs for the year.

The Scheme has no GMP benefits.

The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the company believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time.

A full actuarial valuation was carried out at 5 April 2020. The company currently pays contributions of £950,000 per annum in line with the Recovery Plan agreed following the 2020 valuation. The 2020 IAS19 results have been used for this disclosure and updated to 31 December 2021 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions used by the actuary to update the results are shown below.

Principal actuarial assumptions

	2021	2020
Discount rate	1.80%	1.20%
Inflation	3.60%	3.10%
Salary increases	n/a	n/a
Allowance for pension in payment increases RPI or 5% p.a. if less	3.80%	3.10%
Pension increases in payment in line with RPI 3% p.a. if less	2.55%	2.90%
Deferred pension revaluation	2.85%	2.30%
Cash commutation	75% of maximum tax free cash sum	75% of maximum tax free cash sum

Notes to the Accounts

for the year ended 31 December 2021

22 Employee benefit obligations (continued)

	2021	2020
Life expectancy at age 65 for a male / female:	Years	Years
For member currently aged 65	21.8/23.5	21.8/23.4
For member aged 65 in 20 years	23.4/25.4	22.9/24.6

Amounts recognised in Statement of financial position	**2021**	**2020**
	£'000	**£'000**
Total market value of assets	62,496	58,765
Actuarial value of liabilities	(50,861)	(54,949)
Surplus in the Scheme	11,635	3,816

Total expense recognised in Statement of comprehensive income	**2021**	**2020**
	£'000	**£'000**
Current service cost	-	-
Interest on net defined benefit liability	(51)	(58)
Total expense recognised in Statement of Comprehensive Income	(51)	(58)

Actual return on fair value of Scheme assets	**2021**	**2020**
	£'000	**£'000**
Actual return	4,706	4,073

Changes in the fair value of defined benefit obligation	**2021**	**2020**
	£'000	**£'000**
Opening defined benefit obligation	54,949	52,923
Interest cost	648	1,042
Actuarial losses	(2,811)	2,598
Benefits paid	(1,925)	(1,614)
Closing fair value of defined benefit obligation	50,861	54,949

Notes to the Accounts

for the year ended 31 December 2021

22 Employee benefit obligations (continued)

Change in fair value of scheme assets	**2021**	**2020**
	£'000	**£'000**
Opening fair value of scheme assets	58,765	55,356
Expected return	699	1,100
Actuarial gains	4,007	2,973
Employer contributions	950	950
Benefits paid	(1,925)	(1,614)
Closing fair value of Scheme assets	62,496	58,765

Amounts recognised in Other Comprehensive Income	**2021**	**2020**
	£'000	**£'000**
Actuarial losses	5,188	(5,185)
Experience gains / (losses)	(2,377)	2,587
Actuarial gains / (losses) on fair value of Scheme assets	4,007	2,973
Total amount	6,818	375

Sensitivity assumptions

	Change in the liabilities	
	%	**£'000**
Assumptions as per IAS 19 disclosures	n/a	
0.5% p.a. reduction in discount rate	8.00	4,208
0.5% p.a. increase in inflation	5.00	2,388
Pensions payable for 1 year longer due to mortality assumptions	4.00	2,133

The sensitivities show the effect of a change in the significant actuarial assumptions used to measure the Plan's obligations. The sensitivities are based on approximate calculations.

Notes to the Accounts

for the year ended 31 December 2021

22 Employee benefit obligations (continued)

Experience adjustments on Plan Assets

Amount	4,007	2,973
Percentage of Plan Assets	6.4%	5.1%

Experience adjustments on Defined Benefit Obligation

Amount	(2,377)	2,587
Percentage of Defined Benefit Obligation	(4.6%)	4.7%

The major categories of Scheme assets as a percentage of total Scheme assets

	2021	**2020**
Equities	0%	26.20%
Bonds/LDI	89.88%	48.90%
Property	0%	5.00%
Cash & other	10.12%	19.90%

Breakdown of total Scheme assets by category	**2021**	**2020**
	£'000	**£'000**
Equities	-	15,424
Bonds/LDI	56,173	28,759
Property	-	2,967
Cash & other	6,323	11,615
	62,496	58,765

Notes to the Accounts

for the year ended 31 December 2021

22 Employee benefit obligations (continued)

Total gains / (losses) in Other Comprehensive Income	**2021**	**2020**
	£'000	**£'000**
Total gains / (losses)	6,818	375

Expected contribution to the defined benefit obligation for 2022

	£'000
Expected contribution	950

The IAS 19 valuation has been based on full membership data as at 5 April 2020, the date of the latest triennial valuation. The IAS 19 roll-forward methodology implicitly allows for inflation linked increases and membership movements in line with IAS 19 assumptions around inflation, retirement patterns, mortality and other relevant decrements up to the balance sheet date. The actuarial method used was the Projected Unit Method.

The trustee have procured insurance for the schemed benefits in July 2022 (see Note 24).

23 Ultimate Controlling party

The company is a subsidiary of Metsäliitto Osuuskunta.

The directors regard Metsäliitto Osuuskunta, a company incorporated in the Finland, as the immediate and controlling party of the company. The company's financial statements are consolidated by Metsäliitto Osuuskunta which is the smallest and largest group to do so. The consolidated accounts for Metsäliitto Osuuskunta are available from:

Metsäliitto Osuuskunta

PO Box 10

Fin-02020

Metsa

Finland

24 Post balance sheet events

In July 2022 Finnforest pension plan purchased a buy-in annuity policy with Legal and General for a premium of approximately £50m.