

Company registration number 10887323 (England and Wales)

**NATIONAL TIMBER GROUP MIDCO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# NATIONAL TIMBER GROUP MIDCO LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J C R Declerck J J Faulds N A McGill R T Barclay R G Myatt J M Chilton
<b>Company number</b>	10887323
<b>Registered office</b>	22 Cross Keys Close Marylebone London United Kingdom W1U 2DW
<b>Auditor</b>	BHP LLP 2 Rutland Park Sheffield S10 2PD
<b>Bankers</b>	Santander UK plc Bootle Centre Bridle Road Bootle L30 4GB

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# NATIONAL TIMBER GROUP MIDCO LIMITED

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# NATIONAL TIMBER GROUP MIDCO LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present the strategic report for the year ended 31 December 2021.

### **Fair review of the business**

The company is a wholly owned subsidiary of National Timber Group TopCo Limited.

The principal activity of the Company continued to be that of an intermediate holding company.

The Company's trading subsidiaries performed strongly throughout 2021. Sales recovered rapidly from further lockdown measures in the first two months. Higher sales, combined with gross margin improvement and increased operational efficiency, accelerated organic profit growth. These profit gains were further supplemented through the recommencement of the Group's acquisition programme, with the acquisition of Hymor Timber Limited and Orchard Timber Products Limited.

During the year, the Company received dividends totalling £4,871,965 from subsidiary companies.

### **Future developments**

The Company's trading subsidiaries have made a good start to 2022, with current performance running well ahead of 2021. Performance in the Group's National Timber Systems division, which specialises in timber fabrication and engineered wood products, has been particularly strong.

In April 2022 the Group undertook a refinancing exercise resulting in the previous working capital, term loans and loan note financing being replaced with a revolving credit facility, term debt and acquisition facilities. This additional funding, along with the expected strong cash conversion, means that Group is in a strong position to continue to deliver on its growth strategy in pursuit of creating the UK's market leading independent timber specialist.

### **Principal risks and uncertainties**

The Company operates in markets and an industry which by their nature are subject to a number of inherent gross risks. The Group has a risk management programme that seeks to limit the adverse effect of such risks on financial performance.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

As a holding company, the key risk that the business faces relates to the potential diminution in the carrying value of investments which the Company holds that would arise as a result of the risks faced by each subsidiary undertaking. Risks faced by subsidiary undertakings include price risk, credit risk.

The company is also exposed to liquidity risk and interest rate cash flow risk. A summary of these risks is set out below.

### **Liquidity risk**

The Group maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient funds for its operations.

### **Interest rate cash flow risk**

The Group has both interest bearing assets and liabilities. The interest bearing assets only include cash balances. The Group has a policy of maintaining debt at both fixed and floating rates, thereby enabling the Group to benefit from any reduction in interest rates whilst still maintaining an element of certainty over the future interest cash flows. The directors will re-visit the appropriateness of this policy should the Group's operations change in size or nature.

### **Key performance indicators**

As an intermediate holding company, key performance indicators are not considered necessary for understanding of the development, performance or position of the Company.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **S172 Statement**

In accordance with section 172(1)(a) to (f) of the Companies Act 2006, each of our directors acts in the way he considers, in good faith would promote the success of the Group for the benefit of its members as a whole.

The Board acknowledge that every decision it makes will not necessarily result in a positive outcome for all of the Company's stakeholders. By considering the Company's purpose, vision and values, together with its strategic priorities and having a process in place for decision making the Board does however, aim to make sure that its decisions are consistent.

### **Stakeholder engagement**

The Board believe that considering our stakeholders in key business decisions is not only the right thing to do, but is fundamental to our ability to drive value creation. The Board seeks to understand the respective interest of such stakeholder groups through various methods, including direct engagement by Board members; receiving of reports and updates from members of management who engage with such groups; and coverage in our Board papers of relevant stakeholder interests with regards to proposed courses of action. The directors consider the following to be the Company's key stakeholders:

### **Employees**

The strength of our business is built on the hard work and dedication of our employees. The Board recognises that the implementation of an effective people strategy and strong culture underpin the effective delivery of the Company's strategy.

Employees are kept informed of performance and strategy through regular presentations and updates from members of the Board. These updates are further supported by newsletters and management briefings. The directors attend key business meetings throughout the year, including weekly trading meetings. An anonymous employee whistleblowing line is also in place, allowing employees to raise any concerns in confidence.

Key focus of the Board includes employee health and well-being, personal development, pay and benefits.

### **Government and regulations**

We engage with the government and regulators through a range of industry consultations, forums, and meetings to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

### **Investors**

The Company relies on our shareholders and providers of debt funding as essential sources of capital to further our business objectives. Investor involvement in the decision making process includes representation on the Company Board. The Company has open dialogue with all investors through regular meetings which cover a wide range of topics including financial performance, strategy, outlook and governance.

On behalf of the board

R G Myatt  
Director

30 September 2022

# NATIONAL TIMBER GROUP MIDCO LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Principal activities

The principal activity of the company is that of an intermediate holding company within the Group and provides management services to the Group (being National Timber Group Topco Limited and its subsidiaries).

#### Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C R Declerck  
J J Faulds  
N A McGill  
R T Barclay  
R G Myatt  
J M Chilton

#### Auditor

The auditor, BHP LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

In accordance with the Streamlined Energy and Carbon Reporting (SECR) regulation, the Company's greenhouse gas emissions have been reported within the Annual Report and Financial Statements of the Company's ultimate parent, National Timber Group Topco Limited.

#### Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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.

## **NATIONAL TIMBER GROUP MIDCO LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

R G Myatt  
**Director**

30 September 2022

# NATIONAL TIMBER GROUP MIDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED

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#### Opinion

We have audited the financial statements of National Timber Group Midco Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 December 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 UK, including the FRC'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.

#### Opinions on other matters prescribed by the Companies Act 2006

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



## **NATIONAL TIMBER GROUP MIDCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED**

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##### **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 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, 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.

##### **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.

## **NATIONAL TIMBER GROUP MIDCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED**

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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 timber processing and retail trade;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company;
- we assessed the extent of compliance with the laws and regulations considered above through making enquiries of management and inspecting legal correspondence; 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 company's 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;
- 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:

- performed analytical procedures to identify any unusual or unexpected relationships;
- using audit data analytical software, identified higher risk transactions (including journals);
- assessed whether judgements and assumptions made in determining the accounting estimates 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;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators (which was deemed to be the Health and Safety Executive) and the Group's legal advisors;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

## **NATIONAL TIMBER GROUP MIDCO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED**

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A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

**Paul Winwood**  
**Senior Statutory Auditor**  
**For and on behalf of BHP LLP**

30 September 2022

**Chartered Accountants**  
**Statutory Auditor**

2 Rutland Park  
Sheffield  
S10 2PD

# NATIONAL TIMBER GROUP MIDCO LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Notes	£	£
Administrative expenses		(6,027,475)	(2,970,560)
Other operating income		6,353,343	3,719,728
Exceptional items	3	(154,903)	(608,576)
<b>Operating profit</b>	<b>4</b>	<b>170,965</b>	<b>140,592</b>
Interest receivable and similar income	7	4,871,965	-
Interest payable and similar expenses	8	(4,745,394)	(4,581,194)
<b>Profit/(loss) before taxation</b>		<b>297,536</b>	<b>(4,440,602)</b>
Tax on profit/(loss)	9	167,773	-
<b>Profit/(loss) for the financial year</b>		<b>465,309</b>	<b>(4,440,602)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Intangible assets	10	293,406		266,456	
Tangible assets	11	23,677		2,023	
Investments	12	60,735,401		60,735,401	
		<u>61,052,484</u>		<u>61,003,880</u>	
<b>Current assets</b>					
Debtors	14	6,815,142		2,057,795	
Cash at bank and in hand		7,982		16,229	
		<u>6,823,124</u>		<u>2,074,024</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(13,839,584)</u>		<u>(12,894,929)</u>	
<b>Net current liabilities</b>			<u>(7,016,460)</u>		<u>(10,820,905)</u>
<b>Total assets less current liabilities</b>			<u>54,036,024</u>		<u>50,182,975</u>
<b>Creditors: amounts falling due after more than one year</b>	16		<u>(45,909,907)</u>		<u>(42,366,167)</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	18	<u>(156,000)</u>	156,000	-	-
<b>Net assets</b>			<u>8,282,117</u>		<u>7,816,808</u>
<b>Capital and reserves</b>					
Called up share capital	19		1		1
Profit and loss reserves			<u>8,282,116</u>		<u>7,816,807</u>
<b>Total equity</b>			<u>8,282,117</u>		<u>7,816,808</u>

The financial statements were approved by the board of directors and authorised for issue on 30 September 2022 and are signed on its behalf by:

R G Myatt  
Director

Company Registration No. 10887323

# NATIONAL TIMBER GROUP MIDCO LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	1	12,257,409	12,257,410
<b>Year ended 31 December 2020:</b>			
Loss and total comprehensive income for the year	-	(4,440,602)	(4,440,602)
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>7,816,807</b>	<b>7,816,808</b>
<b>Year ended 31 December 2021:</b>			
Profit and total comprehensive income for the year	-	465,309	465,309
<b>Balance at 31 December 2021</b>	<b>1</b>	<b>8,282,116</b>	<b>8,282,117</b>

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### 1 Accounting policies

#### Company information

National Timber Group Midco Limited is a private company limited by shares incorporated in England and Wales. The registered office is 22 Cross Keys Close, Marylebone, London, United Kingdom, W1U 2DW.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

National Timber Group Midco Limited is a wholly owned subsidiary of National Timber Group Topco Limited and the results of National Timber Group Midco Limited are included in the consolidated financial statements of National Timber Group Topco Limited which are available from Companies House.

#### 1.2 Going concern

After reviewing the Company's forecasts, risk assessments and making enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

In arriving at this opinion, the Directors have considered the Company's cash flow forecasts and revenue projections, reasonable possible changes in trading performance, the committed facilities available to the Company and wider National Timber Group and the covenants thereon, the conclusion from these reviews all supported the adoption of the going concern basis.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.3 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
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#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computers	3 years straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.



# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

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.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.10 Taxation

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

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 reporting end date.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.12 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.13 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 2 Judgements 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 amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Impairment of fixed asset investments

The Company tests fixed investments assets and investments annually for impairment, or more frequently if there are indications that an impairment may be required.

In determining whether fixed asset investments are impaired, the value of use of the cash generating unit is reviewed. The key estimates made in the value in use calculation are those regarding discount rates, sales growth rates and direct costs to reflect the operational gearing of the business. Reviews are performed by forecasting cashflows based upon the budget and latest forecasts, which anticipates sales growth based on industry growth expectation and management experience.

### 3 Exceptional item

	2021 £	2020 £
Restructuring costs	154,903	608,576

### 4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging:		
Exchange losses	322	-
Fees payable to the company's auditor for the audit of the company's financial statements	17,650	19,995
Depreciation of owned tangible fixed assets	8,019	-
Amortisation of intangible assets	111,782	29,020

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Management and administration	11	12

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 5 Employees (Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	5,102,578	2,235,782
Social security costs	198,413	251,296
Pension costs	41,284	33,643
	<u>5,342,275</u>	<u>2,520,721</u>

### 6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	<u>1,161,557</u>	<u>570,427</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	<u>918,628</u>	<u>313,905</u>

### 7 Interest receivable and similar income

	2021 £	2020 £
<b>Other income from investments</b>		
Dividends received	<u>4,871,965</u>	<u>-</u>

### 8 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	552,608	197,876
Interest on shareholder loans	4,118,386	4,308,918
Finance costs amortisation	74,400	74,400
	<u>4,745,394</u>	<u>4,581,194</u>

### 9 Taxation

	2021 £	2020 £
<b>Current tax</b>		
Adjustments in respect of prior periods	<u>(11,773)</u>	<u>-</u>

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9 Taxation (Continued)

	2021 £	2020 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	(156,000)	-
	<u>          </u>	<u>          </u>
Total tax credit	(167,773)	-
	<u>          </u>	<u>          </u>

The actual (credit)/charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit/(loss) before taxation	297,536	(4,440,602)
	<u>          </u>	<u>          </u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	56,532	(843,714)
Tax effect of expenses that are not deductible in determining taxable profit	175	8,108
Change in unrecognised deferred tax assets	283,712	819,897
Adjustments in respect of prior years	(11,773)	-
Effect of change in corporation tax rate	(925,673)	-
Group relief	930,955	15,709
Permanent capital allowances in excess of depreciation	(4,270)	-
Remeasurement of deferred tax for changes in tax rates	(497,431)	-
	<u>          </u>	<u>          </u>
Taxation credit for the year	(167,773)	-
	<u>          </u>	<u>          </u>

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 January 2021	295,476
Additions	138,732
	<hr/>
At 31 December 2021	434,208
	<hr/>
<b>Amortisation and impairment</b>	
At 1 January 2021	29,020
Amortisation charged for the year	111,782
	<hr/>
At 31 December 2021	140,802
	<hr/>
<b>Carrying amount</b>	
At 31 December 2021	293,406
	<hr/>
At 31 December 2020	266,456
	<hr/>

### 11 Tangible fixed assets

	Computers £
<b>Cost</b>	
At 1 January 2021	2,023
Additions	29,673
	<hr/>
At 31 December 2021	31,696
	<hr/>
<b>Depreciation and impairment</b>	
At 1 January 2021	-
Depreciation charged in the year	8,019
	<hr/>
At 31 December 2021	8,019
	<hr/>
<b>Carrying amount</b>	
At 31 December 2021	23,677
	<hr/>
At 31 December 2020	2,023
	<hr/>

### 12 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	13	60,734,101	60,734,101
Unlisted investments		1,300	1,300
		<hr/>	<hr/>
		60,735,401	60,735,401
		<hr/>	<hr/>

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
LHSL2 Limited	22 Cross Keys Close, London, England	Ordinary	100.00	-
National Timber Group Scotland Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
Scotia Roofing and Building Supplies Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
Scotia Roofing Supplies Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
Glow Insulation & Site Supplies Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
Orchard Timber Products Limited	Unit 2 Orchardbank Industrial Estate, Newford Park, Forfar, Scotland	Ordinary	0	100.00
Legname Limited	Unit 2 Orchardbank Industrial Estate, Newford Park, Forfar, Scotland	Ordinary	0	100.00
Ken's Yard Limited	Unit 2 Orchardbank Industrial Estate, Newford Park, Forfar, Scotland	Ordinary	0	100.00
Thornbridge Sawmills Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
NYT (Holdings) Limited	Standard House, Thurston Road, Northallerton Business Park, Northallerton, England	Ordinary	0	100.00
North Yorkshire Timber Company Limited	Standard House, Thurston Road, Northallerton Business Park, Northallerton, England	Ordinary	0	100.00
Joseph Thompson & Co Limited	Standard House, Thurston Road, Northallerton Business Park, Northallerton, England	Ordinary	0	100.00
Arnold Laver Holdings Limited	Bramall Lane, Sheffield, England	Ordinary	100.00	-
Arnold Laver & Company Limited	Bramall Lane, Sheffield, England	Ordinary	0	100.00
Fire Door Inspect Limited	Bramall Lane, Sheffield, England	Ordinary	0	100.00
Hymor Timber Limited	Bramall Lane, Sheffield, England	Ordinary	0	100.00

### 14 Debtors

	2021	2020
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	6,610,705	1,912,921
Other debtors	199,436	108,331
Prepayments and accrued income	5,001	36,543
	<u>6,815,142</u>	<u>2,057,795</u>



# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans	17	2,004,000	1,860,456
Amounts owed to group undertakings		7,893,276	10,219,474
Accruals and deferred income		3,942,308	814,999
		<u>13,839,584</u>	<u>12,894,929</u>

### 16 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	17	11,923,065	2,247,711
Shareholder loan notes	17	33,986,842	40,118,456
		<u>45,909,907</u>	<u>42,366,167</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	<u>33,986,842</u>	<u>40,118,457</u>
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### 17 Loans and overdrafts

	2021 £	2020 £
Bank loans	13,927,065	4,108,167
Shareholder loan notes	33,986,842	40,118,456
	<u>47,913,907</u>	<u>44,226,623</u>
Payable within one year	2,004,000	1,860,456
Payable after one year	<u>45,909,907</u>	<u>42,366,167</u>

Bank loans are repayable in monthly instalments and are secured by fixed and floating charges over the assets of the company.

Interest is charged on borrowings at a rate of 12%.

On 7 April 2022, National Timber Group Midco completed a refinancing exercise resulting in new term loan borrowing of £85m. This term facility was used to repay the Group's existing bank borrowings and shareholder loan notes in full. This term facility was supplemented with a £15m revolving credit facility to fund the seasonal working capital requirements of the Group and a further £20m delay draw term loan to support future investment in growth.

# NATIONAL TIMBER GROUP MIDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
<b>Balances:</b>		
Accelerated capital allowances	(156,000)	-
	<u>          </u>	<u>          </u>
<b>Movements in the year:</b>		2021 £
Liability at 1 January 2021		-
Credit to profit or loss		(156,000)
		<u>          </u>
Asset at 31 December 2021		(156,000)
		<u>          </u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

### 19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary share of £1 each	1	1	1	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 20 Related party transactions

The Company has taken advantage of the exemption provided by FRS 102 from the requirement to report transactions with other group companies that are 100% subsidiaries of the parent company National Timber Company Topco Limited.

The Company and Cairngorm Capital II LP are related parties due to the existence of common members / directorships and because the private equity funds Cairngorm Capital II LP, which is managed by Cairngorm Capital Partners LLP, own a controlling interest in the parent company National Timber Company Topco Limited.

At 31 December the Company has issued loan notes payable to Cairngorm Capital II LP with a nominal value of £32,713,549 (2020: £30,246,837). Including interest, which accrues at a rate of 12% compounded per annum, the total amount payable at 31 December was £33,986,842 (2020: £40,118,456).

During the year loan note interest payable was £4,118,386 and the Company made a net loan note repayment of £10,250,000.

On 7th April 2022, following the Group's refinancing, loan note balances, including accrued interest, were repaid in full.

## **NATIONAL TIMBER GROUP MIDCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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#### **21 Ultimate controlling party**

The company's immediate and ultimate parent undertaking is National Timber Group Topco Limited, a company registered in England and Wales.

The ultimate controlling party is Cairngorm Capital Partners II LP, a fund managed by Cairngorm Capital Partners LLP, a partnership registered in England and Wales.

The group headed by National Timber Group Topco Limited is the smallest and largest group in which the results of the company are consolidated

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