

Company Registration No. 10887323 (England and Wales)

NATIONAL TIMBER GROUP MIDCO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NATIONAL TIMBER GROUP MIDCO LIMITED

COMPANY INFORMATION

Directors	J C R Declerck J J Faulds N A McGill R T Barclay R G Myatt J M Chilton	(Appointed 27 January 2020) (Appointed 28 July 2020)
Company number	10887323	
Registered office	22 Cross Keys Close Marylebone London United Kingdom W1U 2DW	
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD	
Bankers	PNC Financial Services UK Ltd PNC House 34/36 Perrymount Road Haywards Heath West Sussex RH16 3DN	

NATIONAL TIMBER GROUP MIDCO LIMITED

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NATIONAL TIMBER GROUP MIDCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

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.

Following the significant growth of the business through acquisition in prior periods, the opportunity was taken in February 2020 to simplify the Group's corporate structure. As a result, the trade and assets of Thornbridge Sawmills Limited, a subsidiary of the Company, were sold at book value to National Timber Group Scotland Limited (formerly Rembrand Timber Limited) on 29th February 2020. The reorganised structure, while retaining both trading brands, enables synergies to be realised and increased focus on the delivery of the Group's growth strategy.

Future developments

The Company's trading subsidiaries have made a very strong start to 2021, despite the further lockdown measures in the first two months impacting sales. Underlying trading volumes within the Company's investments have rebounded strongly, further strengthened through organic growth as strategic projects have gained traction. The continued investment in growth has been further supplemented with the recommencement of the Group's acquisition programme, with Arnold Laver & Company Limited's purchase of Hymor Timber Limited on 26th February 2021. The current trading outlook remains strong and consequently the Company's trading subsidiaries are well positioned to deliver revenue, profit and returns, well ahead of 2019 levels.

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 2020

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

14 July 2021

NATIONAL TIMBER GROUP MIDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 A G Douglas

(Resigned 27 January 2020)

J J Faulds

N A McGill

S Whiteford

(Resigned 30 June 2020)

R T Barclay

W G Gee

(Resigned 12 August 2020)

A B Muirhead

(Resigned 27 February 2020)

V A Vadaneaux

(Resigned 12 August 2020)

R G Myatt

(Appointed 27 January 2020)

J M Chilton

(Appointed 28 July 2020)

Auditor

BHP LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Energy and carbon report

The company is not required to separately produce its Energy and carbon report because it is included in the group accounts for National Timber Group Topco Limited.

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

14 July 2021

NATIONAL TIMBER GROUP MIDCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED

Opinion

We have audited the financial statements of National Timber Group Midco Limited (the 'company') for the year ended 31 December 2020 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 FRS 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 2020 and of its loss 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

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 and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

NATIONAL TIMBER GROUP MIDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED

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 Group 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 Group;
- 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 Group'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;

NATIONAL TIMBER GROUP MIDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF NATIONAL TIMBER GROUP MIDCO LIMITED

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.

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 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 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

14 July 2021

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 2020

		2020	2019
	Notes	£	£
Administrative expenses		(2,970,560)	(2,904,146)
Other operating income		3,719,728	3,706,167
Exceptional item	3	(608,576)	(617,031)
Operating profit	4	140,592	184,990
Interest payable and similar expenses	7	(4,581,194)	(4,299,384)
Loss before taxation		(4,440,602)	(4,114,394)
Tax on loss	8	-	-
Loss for the financial year		(4,440,602)	(4,114,394)

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 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	9	266,456		171,430	
Tangible assets	10	2,023		-	
Investments	11	60,735,401		60,735,401	
		<u>61,003,880</u>		<u>60,906,831</u>	
Current assets					
Debtors	13	2,057,795		992,509	
Cash at bank and in hand		16,229		1,620	
		<u>2,074,024</u>		<u>994,129</u>	
Creditors: amounts falling due within one year	14	<u>(12,894,929)</u>		<u>(10,209,558)</u>	
Net current liabilities			<u>(10,820,905)</u>		<u>(9,215,429)</u>
Total assets less current liabilities			50,182,975		51,691,402
Creditors: amounts falling due after more than one year	15		<u>(42,366,167)</u>		<u>(39,433,992)</u>
Net assets			<u>7,816,808</u>		<u>12,257,410</u>
Capital and reserves					
Called up share capital	17		1		1
Profit and loss reserves			7,816,807		12,257,409
Total equity			<u>7,816,808</u>		<u>12,257,410</u>

The financial statements were approved by the board of directors and authorised for issue on 14 July 2021 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 2020

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2019	1	16,371,803	16,371,804
Year ended 31 December 2019:			
Loss and total comprehensive income for the year	-	(4,114,394)	(4,114,394)
Balance at 31 December 2019	1	12,257,409	12,257,410
Year ended 31 December 2020:			
Loss and total comprehensive income for the year	-	(4,440,602)	(4,440,602)
Balance at 31 December 2020	1	7,816,807	7,816,808

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

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 2020

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 2020

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 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.

1.11 Retirement benefits

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

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 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.

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

	2020	2019
	£	£
Restructuring costs	608,576	617,031

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	74,200	17,100
Amortisation of intangible assets	29,020	-

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

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

	2020 Number	2019 Number
Management and administration	12	31

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,235,782	2,162,884
Social security costs	251,296	237,576
Pension costs	33,643	84,962
	2,520,721	2,485,422

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	570,427	515,588
Company pension contributions to defined contribution schemes	-	3,600
	570,427	519,188

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2019 - 1).

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

	2020 £	2019 £
Remuneration for qualifying services	313,905	298,288

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	197,876	349,515
Interest on shareholder loans	4,308,918	3,875,469
Finance costs amortisation	74,400	74,400
	<u>4,581,194</u>	<u>4,299,384</u>

8 Taxation

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

	2020	2019
	£	£
Loss before taxation	(4,440,602)	(4,114,394)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(843,714)	(781,735)
Tax effect of expenses that are not deductible in determining taxable profit	8,108	7,257
Change in unrecognised deferred tax assets	819,897	751,648
Group relief	15,709	56,575
Deferred tax adjustments in respect of prior years	-	(33,745)
Taxation charge for the year	<u>-</u>	<u>-</u>

9 Intangible fixed assets

	Software £
Cost	
At 1 January 2020	171,430
Additions	124,046
At 31 December 2020	<u>295,476</u>
Amortisation and impairment	
At 1 January 2020	-
Amortisation charged for the year	29,020
At 31 December 2020	<u>29,020</u>
Carrying amount	
At 31 December 2020	<u>266,456</u>
At 31 December 2019	<u>171,430</u>

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Tangible fixed assets

	Computers £
Cost	
At 1 January 2020	-
Additions	2,023
At 31 December 2020	2,023
Depreciation and impairment	
At 1 January 2020 and 31 December 2020	-
Carrying amount	
At 31 December 2020	2,023
At 31 December 2019	-

11 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	12	60,734,101	60,734,101
Unlisted investments		1,300	1,300
		60,735,401	60,735,401

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Subsidiaries

(Continued)

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Thornbridge Sawmills Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
LHSL2 Limited	Scotland22 Cross Keys Close, London, England	Ordinary	100.00	-
Arnold Laver Holdings Limited	Bramall Lane, Sheffield, England	Ordinary	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
National Timber Group Scotland Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	100.00
Scotia Roofing and Building Supplies Ltd	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
Scotia Roofing Supplies Limited	Thornbridge Yard, Laurieston Road, Grangemouth, Scotland	Ordinary	0	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
Joseph Thompson & Co Limited	Standard House, Thurston Road, Northallerton Business Park, Northallerton, England	Ordinary	0	100.00

13 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	1,912,921	845,288
Other debtors	108,331	116,845
Prepayments and accrued income	36,543	30,376
	<u>2,057,795</u>	<u>992,509</u>

14 Creditors: amounts falling due within one year

		2020	2019
	Notes	£	£
Bank loans	16	1,860,456	1,860,457
Amounts owed to group undertakings		10,219,474	7,436,335
Other creditors		-	482,776
Accruals and deferred income		814,999	429,990
		<u>12,894,929</u>	<u>10,209,558</u>

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Bank loans and overdrafts	16	2,247,711	3,624,453
Shareholder loan notes	16	40,118,456	35,809,539
		<u>42,366,167</u>	<u>39,433,992</u>

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

Payable other than by instalments	40,118,457	35,809,539
	<u>40,118,457</u>	<u>35,809,539</u>

16 Loans and overdrafts

	2020 £	2019 £
Bank loans	4,108,167	5,484,910
Shareholder loan notes	40,118,456	35,809,539
	<u>44,226,623</u>	<u>41,294,449</u>
Payable within one year	1,860,456	1,860,457
Payable after one year	<u>42,366,167</u>	<u>39,433,992</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 rates ranging between 3% and 12%. Unless certain business conditions are fulfilled, shareholder loan notes are repayable on 7 November 2025.

17 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

NATIONAL TIMBER GROUP MIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 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 Group Topco Limited.

The Company has issued loan notes with a nominal value of £30,246,837 to Cairngorm Capital II LP. The loan notes bear interest at 12% compounded per annum. 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 Group Topco Limited. Total interest payable during the year is £4,308,918 and the total outstanding balances at year end was £40,118,456.

19 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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