

Company registration number 01419058 (England and Wales)

NORTH YORKSHIRE TIMBER COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

NORTH YORKSHIRE TIMBER COMPANY LIMITED

COMPANY INFORMATION

Directors	R T Barclay V P Bellas N P Kershaw N A McGill R Timmens R G Myatt J M Chilton
Company number	01419058
Registered office	Standard House Thurston Road Northallerton Business Park Northallerton North Yorkshire DL6 2NA
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD
Bankers	Santander UK plc Bootle Centre Bridle Road Bootle L30 4GB
Solicitors	Addleshaw Goddard LLP 19 Canning Street Edinburgh EH3 8EH

NORTH YORKSHIRE TIMBER COMPANY LIMITED

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NORTH YORKSHIRE TIMBER COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Fair review of the business

The Company is primarily engaged in the fabrication and retail of timber and building products.

The business continues to remain customer-focussed, delivering service and product innovation to support its growth plans across its target market segments. Its broad range of products, market sectors and customers should ensure that it is not over-reliant on one market. The Company is well placed to service the growth opportunities that exist in the housing, RM&I and commercial sectors. The company continues to invest in production capacity to support growth plans and to deliver value add product solutions to our customers.

North Yorkshire Timber Company Limited is a subsidiary of National Timber Group TopCo Limited. Through the continued growth and development of all subsidiaries, including North Yorkshire Timber Company Limited, the Group aims to increase its overall capability and presence across the UK, and to become the UK's market leading independent timber specialist.

Development and performance

In 2021, full year revenues were £32.1m, up £12.4m. Revenue growth in part was driven by the recovery in the market post COVID 19, albeit the business remained impacted by lockdown measures in Q1. Throughout the pandemic the Group continued to invest in growth initiatives which have continued to gain traction during 2021, with like for like revenue up 53% versus 2019 pre-pandemic levels.

Gross margin decreased by 300bps 33.0%, resulting from material price fluctuation. Strong increase in volume driven by demand and material shortages pushed up material prices throughout the year. Whilst the merchant side of the business could pass on these increases almost immediately the engineering side of the business had contractual obligations and in most cases resulted in a delay before increases could be passed through to customers which impacted margin generation.

Overall operating costs % of revenue reduced to 5.8% in the year, with the business benefitting from the operational gearing impact of higher volumes and the actions taken during the pandemic to accelerate planned cost efficiency measures.

Overall the Company delivered an operating profit, before exceptional income, of £1.9m, £1.1m ahead of the prior year.

Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks as discussed below. The Company has a risk management programme that seeks to limit the adverse effect of such risks on financial performance.

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

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operation, the cost of managing the exposure to commodity price risk exceed the potential benefits. The directors will revisit the appropriateness of this policy should the Company's operation change in size or nature.

Credit risk

The Company has implemented a policy that requires credit checks on potential customers before sales are made, in line with the terms of its credit insurance. The amount of exposure to any individual counterparty is subject to a limit, which is assessed regularly by the board.

Liquidity risk

The Company maintains short-term debt finance that is designed to ensure the Company has sufficient funds for its operations.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

R G Myatt

Director

30 September 2022

NORTH YORKSHIRE TIMBER COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the company continued to be that of the fabrication and retail of timber and building products.

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:

R T Barclay
V P Bellas
N P Kershaw
N A McGill
R Timmens
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.

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;
- 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.

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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

R G Myatt
Director

30 September 2022

NORTH YORKSHIRE TIMBER COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORTH YORKSHIRE TIMBER COMPANY LIMITED

Opinion

We have audited the financial statements of North Yorkshire Timber Company 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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTH YORKSHIRE TIMBER COMPANY 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 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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTH YORKSHIRE TIMBER COMPANY 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 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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NORTH YORKSHIRE TIMBER COMPANY LIMITED

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

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

NORTH YORKSHIRE TIMBER COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	32,077,844	19,707,463
Cost of sales		(21,501,228)	(12,608,184)
Gross profit		10,576,616	7,099,279
Administrative expenses		(8,695,294)	(6,827,861)
Other operating income		23,362	520,509
Exceptional items	4	997,441	259,296
Operating profit	5	2,902,125	1,051,223
Interest payable and similar expenses	8	(112,157)	(20,107)
Profit before taxation		2,789,968	1,031,116
Tax on profit	9	(476,701)	23,857
Profit for the financial year		2,313,267	1,054,973

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

NORTH YORKSHIRE TIMBER COMPANY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10	875,066		2,034,504	
Investments	11	1,520		1,520	
		<u>876,586</u>		<u>2,036,024</u>	
Current assets					
Stocks	12	4,815,232		3,349,830	
Debtors	13	12,116,329		6,923,397	
Cash at bank and in hand		510,796		406,029	
		<u>17,442,357</u>		<u>10,679,256</u>	
Creditors: amounts falling due within one year	14	<u>(9,027,737)</u>		<u>(5,807,341)</u>	
Net current assets		<u>8,414,620</u>		<u>4,871,915</u>	
Total assets less current liabilities		<u>9,291,206</u>		<u>6,907,939</u>	
Provisions for liabilities					
Deferred tax liability	16	154,000		84,000	
		<u>(154,000)</u>		<u>(84,000)</u>	
Net assets		<u>9,137,206</u>		<u>6,823,939</u>	
Capital and reserves					
Called up share capital	18	100,000		100,000	
Revaluation reserve		-		51	
Capital redemption reserve		50,000		50,000	
Profit and loss reserves		8,987,206		6,673,888	
Total equity		<u>9,137,206</u>		<u>6,823,939</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. 01419058

NORTH YORKSHIRE TIMBER COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2020	100,000	87,702	50,000	5,531,264	5,768,966
Year ended 31 December 2020:					
Profit and total comprehensive income for the year	-	-	-	1,054,973	1,054,973
Transfers	-	(87,651)	-	87,651	-
Balance at 31 December 2020	100,000	51	50,000	6,673,888	6,823,939
Year ended 31 December 2021:					
Profit and total comprehensive income for the year	-	-	-	2,313,267	2,313,267
Transfers	-	(51)	-	51	-
Balance at 31 December 2021	100,000	-	50,000	8,987,206	9,137,206

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

North Yorkshire Timber Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Standard House, Thurston Road, Northallerton Business Park, Northallerton, North Yorkshire, DL6 2NA.

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, [modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value]. 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 financial statements of the company are consolidated in the financial statements of National Timber Group Topco Limited. These consolidated financial statements 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.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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:

Freehold property	2% on revaluation
Short leasehold	Straight line over 20 years
Plant and equipment	15% reducing balance
Fixtures and fittings	20% reducing balance
Computers	25% reducing balance
Motor vehicles	25% reducing balance

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.

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.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

NORTH YORKSHIRE TIMBER COMPANY 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, as described above, the Directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year end date, and the amounts reported for revenues and expenses during the period.

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, and in future period should it affect these.

The significant estimates and assumptions which are currently applicable are outlined below.

Impairment of fixed assets

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

In determining whether non-current assets are impaired, the value in 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.

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values of all asset categories are reviewed on an annual basis to ensure appropriate changes are made for depreciations.

Stock provision

Stocks are stated at the lower of cost and net realisable value. The Directors will assess the requirement for any provision for obsolete stock or value deterioration as based on historical transactions, stock utilisation patterns, regular inspection and counting of physical items.

Retrospective rebates

A number of rebate receivable and payable agreements are non-coterminous with the Company's financial year, requiring estimation over the level of future purchases and sales. At the balance sheet date the Directors estimate the amount of rebate that will become due to and payable by the Company under these agreements based upon historical experience, current trading patterns and the latest internal and external forecasts.

Impairment of debtors

Debtors are stated at recoverable amounts after appropriate impairment for bad and doubtful debts. Calculation of bad debt impairment requires judgement from the management team based on the credit worthiness of the debtor, the ageing profile of the debtor and the historical experience. The carrying amount of trade debtors as at 31 December 2021 was £3,411,943.

3 Turnover and other revenue

All turnover arose within the United Kingdom.

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of timber products	32,077,844	19,707,463

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3	Turnover and other revenue	(Continued)	
		2021	2020
		£	£
	Other significant revenue		
	Government grants received	23,362	520,509
		<u>23,362</u>	<u>520,509</u>
4	Exceptional items	2021	2020
		£	£
	Profit on the sale of freehold properties	(997,441)	(292,133)
	Restructuring costs	-	32,837
		<u>(997,441)</u>	<u>(259,296)</u>
5	Operating profit	2021	2020
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Government grants	(23,362)	(520,509)
	Fees payable to the company's auditor for the audit of the company's financial statements	23,000	20,784
	Depreciation of owned tangible fixed assets	164,344	215,721
	Operating lease charges	531,457	352,040
		<u>531,457</u>	<u>352,040</u>
6	Employees		
	The average monthly number of persons (including directors) employed by the company during the year was:		
		2021	2020
		Number	Number
	Machinists, Yard & Drivers	109	101
	Sales / Design	51	51
	Office / Administration	25	25
	Directors	3	3
	Total	<u>188</u>	<u>180</u>

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees (Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	5,525,615	4,190,828
Social security costs	480,708	294,603
Pension costs	96,543	77,992
	<u>6,102,866</u>	<u>4,563,423</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	283,784	309,985
Company pension contributions to defined contribution schemes	13,556	13,450
	<u>297,340</u>	<u>323,435</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

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

	2021 £	2020 £
Remuneration for qualifying services	128,171	149,490
Company pension contributions to defined contribution schemes	7,256	7,150
	<u>135,427</u>	<u>156,640</u>

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	112,157	20,107
	<u>112,157</u>	<u>20,107</u>

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	412,212	-
Adjustments in respect of prior periods	(5,511)	22,143
	<u>406,701</u>	<u>22,143</u>
Total current tax		

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Taxation

(Continued)

	2021 £	2020 £
Deferred tax		
Origination and reversal of timing differences	70,000	(46,000)
	<u> </u>	<u> </u>
Total tax charge/(credit)	476,701	(23,857)
	<u> </u>	<u> </u>

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

	2021 £	2020 £
Profit before taxation	2,789,968	1,031,116
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	530,094	195,912
Tax effect of expenses that are not deductible in determining taxable profit	6,480	1,018
Tax effect of income not taxable in determining taxable profit	-	(115)
Change in unrecognised deferred tax assets	(44)	(21,042)
Adjustments in respect of prior years	(5,511)	22,143
Group relief	-	(203,297)
Readjustment of deferred tax for changes in tax rates	36,953	12,810
Fixed asset differences	(182,767)	(40,458)
Chargeable gains/(losses)	91,496	9,172
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	476,701	(23,857)
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tangible fixed assets

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NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Fixed asset investments

	2021 £	2020 £
Unlisted investments	1,520	1,520

The company's investment in its dormant subsidiary, Joseph Thompson & Co., Limited, has previously been impaired in full.

The company's unlisted investment represents a minority interest in National Merchant Buying Society, and the directors are of the opinion that the amount recognised is a an appropriate reflection of fair value.

12 Stocks

	2021 £	2020 £
Finished goods and goods for resale	4,815,232	3,349,830

13 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	3,560,502	2,615,118
Corporation tax recoverable	-	29,533
Amounts owed by group undertakings	6,892,268	2,957,040
Other debtors	16,513	22,417
Prepayments and accrued income	1,647,046	1,299,289
	12,116,329	6,923,397

14 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Invoice discount facility	15	2,001,734	1,571,922
Trade creditors		3,512,252	2,595,576
Amounts owed to group undertakings		1,412,631	674,833
Corporation tax		412,212	-
Other taxation and social security		774,163	368,262
Other creditors		135,142	78,753
Accruals and deferred income		779,603	517,995
		9,027,737	5,807,341

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Loans and overdrafts

	2021 £	2020 £
Invoice finance facility	2,001,734	1,571,922
Payable within one year	2,001,734	1,571,922

The invoice finance facility is secured by a floating charge on all assets of the company.

On 7th April 2022, following the Group's refinancing the invoice finance facility was repaid in full.

16 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	173,000	103,000
Revaluations	(18,000)	(18,000)
Short term timing differences	(1,000)	(1,000)
	154,000	84,000
Movements in the year:		2021 £
Liability at 1 January 2021		84,000
Charge to profit or loss		70,000
Liability at 31 December 2021		154,000

17 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	96,543	77,992

The company operates two defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in independently administered funds.

NORTH YORKSHIRE TIMBER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	621,918	434,104
Between two and five years	2,254,268	1,368,353
In over five years	2,873,542	994,375
	<u>5,749,728</u>	<u>2,796,832</u>

20 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2020 £
Acquisition of tangible fixed assets	<u>53,900</u>	<u>19,722</u>

21 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.

22 Ultimate controlling party

The company's immediate parent company is NYT (Holdings) Limited.

The company's ultimate parent company 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.

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