

Company registration number SC080045 (Scotland)

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

NATIONAL TIMBER GROUP SCOTLAND LIMITED

COMPANY INFORMATION

Directors	R T Barclay J A G Douglas N A McGill R G Myatt J M Chilton
Company number	SC080045
Registered office	Thornbridge Yard Laurieston Road Grangemouth Stirlingshire Scotland FK3 8XX
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

NATIONAL TIMBER GROUP SCOTLAND LIMITED

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NATIONAL TIMBER GROUP SCOTLAND 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 principal activities of National Timber Group Scotland Limited are the merchanting and manufacture of timber and related products.

National Timber Group Scotland Limited serves a diverse and varied customer base including joiners, regional house builders, commercial companies and infrastructure projects. As a specialist supplier of timber, sheet and joinery products, with substantial warehousing, processing and distribution capabilities, the group is able to provide a broad range of high quality products on short lead times, supported by comprehensive knowledge and expertise.

The business continues to remain customer-focused, delivering service and product innovation to support growth plans across its target market segments. Its broad range of products, market sectors and customers should ensure the business is not over-reliant on any one market. It is well placed to service new and existing customers across major infrastructure investment, commercial development, RMI (repairs, maintenance and improvement) and house building. Finally, the Company continues to invest in people, production capacity and technology systems to support its growth plans.

Development and performance

In 2021, full year revenues were £89.4m, up £33.8m. Revenue growth was driven by the recovery in the market post COVID 19, albeit the business remained impacted by lockdown measures in Q1. The joinery market was particularly impacted by the delayed recovery in the commercial and leisure sectors into Q3. 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 11% versus 2019 pre-pandemic levels.

Progress was made on delivering gross margin growth with an increase of 350bps to 34.5% being achieved. The business continued to develop its strong pricing disciplines and also benefitted from its established procurement strategy and sales mix, with demand particularly strong in the higher margin RMI market.

Overall operating costs % of revenue reduced to 6.3% 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.

Organic growth through new branch openings continues to be a key part of the Group's growth strategy, with a new site in Loanhead, Edinburgh opened during the year. The branch has started particularly strongly performing ahead of plan.

In addition, as part of the Group's established acquisition strategy which focuses on network infills, range expansion and further value add process capabilities, in November, the Company acquired Orchard Timber Products Limited, a specialist distributor of timber, sheet materials, wood flooring and decking. Orchard Timber provides both new product opportunities and extends the Group's footprint in West Lothian and North East Scotland via depots in Fofar and Livingston.

Overall the Company delivered an operating profit of £5.7m, £7.9m ahead of the prior year before exceptional items.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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. Commodity prices are continually monitored and proactively managed at both an operational management level and through the Group procurement function to ensure that selling prices are quickly adjusted to mitigate the risk to earnings.

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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

S172 Statement

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he considers, in good faith would promote the success of the company for the benefit of its members as a whole. The directors have taken into consideration, amongst other matters:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations of the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The Board acknowledge that every decision it makes will not necessarily result in a positive outcome for all of the Group'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 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.

Customers

The profitability of the business is underpinned by providing effective partnerships with customers to understand their needs and requirements. In recognition of this a core principle of the business is to be customer centric, building relationships and engaging at a local and national level, providing a high level of service through the expert knowledge of our employees and ensuring a quality product.

The Board receives regular updates on customer opinion, behaviour and feedback, including analysis of the Net Promoter Score. The insight received is used to inform decision making, understand customer needs and views in order to improve our offer and service for them.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Suppliers

The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier feedback and issues on a regular basis. The Board seeks to balance the benefit of maintaining these strong relationships along with the need to obtain value for money for our investors and desired quality and service levels for our customers. Engagement with suppliers is primarily through our Group procurement function. Key areas of focus include innovation, product development, health and safety and sustainability.

Communities

The Board supports the initiatives with regards to reducing the adverse impacts on the environment and engages with the communities in which we operate. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. We partner with local charities at a site level to raise awareness and funds. The key issues and themes across local communities are reported back to the Board.

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

On behalf of the board

R G Myatt
Director

30 September 2022

NATIONAL TIMBER GROUP SCOTLAND 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 is that of timber and plywood importing and sawmilling.

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £3,408,690. The directors do not recommend payment of a further 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
J A G Douglas
N A McGill
R G Myatt
J M Chilton

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

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

Auditor

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

Energy and carbon report

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

NATIONAL TIMBER GROUP SCOTLAND LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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

On behalf of the board

R G Myatt
Director

30 September 2022

NATIONAL TIMBER GROUP SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL TIMBER GROUP SCOTLAND LIMITED

Opinion

We have audited the financial statements of National Timber Group Scotland Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NATIONAL TIMBER GROUP SCOTLAND 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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NATIONAL TIMBER GROUP SCOTLAND 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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NATIONAL TIMBER GROUP SCOTLAND 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

NATIONAL TIMBER GROUP SCOTLAND LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	89,437,843	55,626,383
Cost of sales		(58,615,232)	(38,383,896)
Gross profit		30,822,611	17,242,487
Distribution costs		(2,527,192)	(1,820,846)
Administrative expenses		(22,623,979)	(16,743,864)
Other operating income		115,567	1,193,668
Exceptional items	4	(68,042)	8,060,183
Operating profit	5	5,718,965	7,931,628
Interest payable and similar expenses	7	(163,477)	(66,480)
Profit before taxation		5,555,488	7,865,148
Tax on profit	8	(619,169)	43,335
Profit for the financial year		4,936,319	7,908,483

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

NATIONAL TIMBER GROUP SCOTLAND LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021		2020	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		2,594,619		2,407,342
Investments	11		19,704,337		6,264,138
			<u>22,298,956</u>		<u>8,671,480</u>
Current assets					
Stocks	13	13,438,348		10,571,741	
Debtors	14	14,356,472		15,928,122	
Cash at bank and in hand		1,240,036		1,983,398	
		<u>29,034,856</u>		<u>28,483,261</u>	
Creditors: amounts falling due within one year	15	(35,150,398)		(22,579,956)	
Net current (liabilities)/assets			<u>(6,115,542)</u>		<u>5,903,305</u>
Total assets less current liabilities			<u>16,183,414</u>		<u>14,574,785</u>
Provisions for liabilities					
Deferred tax liability	17	261,000		180,000	
		<u>(261,000)</u>		<u>(180,000)</u>	
Net assets			<u>15,922,414</u>		<u>14,394,785</u>
Capital and reserves					
Called up share capital	19		300		300
Profit and loss reserves			15,922,114		14,394,485
Total equity			<u>15,922,414</u>		<u>14,394,785</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. SC080045

NATIONAL TIMBER GROUP SCOTLAND LIMITED

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

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 January 2020	300	6,486,002	6,486,302
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	7,908,483	7,908,483
Balance at 31 December 2020	300	14,394,485	14,394,785
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	4,936,319	4,936,319
Dividends	9	(3,408,690)	(3,408,690)
Balance at 31 December 2021	300	15,922,114	15,922,414

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

National Timber Group Scotland Limited is a private company limited by shares incorporated in Scotland. The registered office is Thornbridge Yard, Laurieston Road, Grangemouth, Stirlingshire, Scotland, FK3 8XX.

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 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. 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.

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.

NATIONAL TIMBER GROUP SCOTLAND 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 land and buildings	5% straight line
Leasehold improvements	20% straight line
Plant and equipment	15% reducing balance
Fixtures and fittings	15% reducing balance
Computers	15% 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.

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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Stocks

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.

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.

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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

1.15 Foreign exchange

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

NATIONAL TIMBER GROUP SCOTLAND 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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 no-current assets 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.

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 provisions

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.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of timber products	89,437,843	55,626,383
	<u> </u>	<u> </u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	89,437,843	55,626,383
	<u> </u>	<u> </u>

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue (Continued)

	2021 £	2020 £
Other revenue		
Grants received	115,567	1,193,668

4 Exceptional item

	2021 £	2020 £
Intercompany balance waiver	-	(8,464,242)
Restructuring costs including redundancy	68,042	404,059
	68,042	(8,060,183)

During 2020, in order to simplify the Group's corporate structure, following the trade and asset transfer of Thornbridge Sawmills Limited into National Timber Group Scotland Limited, management began the voluntary liquidation of the dormant entity Thornbridge Sawmills Limited. As part of this process loan waivers were put in place resulting in the company recognising a one-off exceptional credit of £8,464,242 in the year.

5 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(3,050)	3,158
Government grants	(115,567)	(1,193,668)
Fees payable to the company's auditor for the audit of the company's financial statements	43,250	49,100
Depreciation of owned tangible fixed assets	464,209	373,604
Loss on disposal of tangible fixed assets	8,613	-
Operating lease charges	3,905,263	3,194,284

6 Employees

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

	2021 Number	2020 Number
Sales and distribution	281	270
Administration	12	12
Total	293	282

NATIONAL TIMBER GROUP SCOTLAND 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	10,376,067	8,145,359
	Social security costs	920,413	866,051
	Pension costs	317,275	245,321
		<u>11,613,755</u>	<u>9,256,731</u>
		<u><u>11,613,755</u></u>	<u><u>9,256,731</u></u>
7	Interest payable and similar expenses		
		2021	2020
		£	£
	Interest on bank overdrafts and loans	163,477	60,278
	Other interest on financial liabilities	-	6,202
		<u>163,477</u>	<u>66,480</u>
		<u><u>163,477</u></u>	<u><u>66,480</u></u>
8	Taxation		
		2021	2020
		£	£
	Current tax		
	UK corporation tax on profits for the current period	542,857	-
	Adjustments in respect of prior periods	(4,688)	(45,335)
	Total current tax	<u>538,169</u>	<u>(45,335)</u>
		<u><u>538,169</u></u>	<u><u>(45,335)</u></u>
	Deferred tax		
	Origination and reversal of timing differences	<u>81,000</u>	<u>2,000</u>
		<u><u>81,000</u></u>	<u><u>2,000</u></u>
	Total tax charge/(credit)	<u>619,169</u>	<u>(43,335)</u>
		<u><u>619,169</u></u>	<u><u>(43,335)</u></u>

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Taxation

(Continued)

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	5,555,488	7,865,148
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,055,543	1,494,378
Tax effect of expenses that are not deductible in determining taxable profit	3,772	9,611
Tax effect of income not taxable in determining taxable profit	-	(1,608,206)
Change in unrecognised deferred tax assets	(73,937)	3,718
Effect of change in corporation tax rate	62,612	9,347
Group relief	(431,031)	70,704
Permanent capital allowances in excess of depreciation	6,898	15,450
Tax relief in respect of gift aid	-	107,998
Thornbridge Sawmills Deferred Tax	-	(101,000)
Adjustments to tax charge in respect of previous periods	(4,688)	(45,335)
Taxation charge/(credit) for the year	619,169	(43,335)

9 Dividends

	2021 £	2020 £
Final paid	3,408,690	-

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10	Tangible fixed assets									
		Freehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total		
	Cost	£	£	£	£	£	£	£		£
	At 1 January 2021	419,804	1,337,188	1,535,853	3,216,190	360,880	381,282	7,251,197		
	Additions	10,400	311,706	30,260	241,941	65,667	125	660,099		
	Disposals	-	-	-	-	-	(98,036)	(98,036)		
	At 31 December 2021	430,204	1,648,894	1,566,113	3,458,131	426,547	283,371	7,813,260		
	Depreciation and impairment									
	At 1 January 2021	29,736	828,797	1,425,893	2,183,086	55,270	321,073	4,843,855		
	Depreciation charged in the year	21,164	176,439	18,380	172,538	63,154	12,534	464,209		
	Eliminated in respect of disposals	-	-	-	-	-	(89,423)	(89,423)		
	At 31 December 2021	50,900	1,005,236	1,444,273	2,355,624	118,424	244,184	5,218,641		
	Carrying amount									
	At 31 December 2021	379,304	643,658	121,840	1,102,507	308,123	39,187	2,594,619		
	At 31 December 2020	390,068	508,391	109,960	1,033,104	305,610	60,209	2,407,342		

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	12	19,704,337	6,264,138

Movements in fixed asset investments

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2021	6,264,138
Additions	13,440,199
At 31 December 2021	19,704,337
Carrying amount	
At 31 December 2021	19,704,337
At 31 December 2020	6,264,138

On 15 November 2021 the Company acquired Orchard Timber Products Limited through the purchase of 100 percent of its share capital. Total consideration, including acquisition costs, was £13,440,199, including £2,513,077 for cash within the business.

12 Subsidiaries

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

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct Indirect	
Glow Insulation & Site Supplies Limited	Scotland	Sale of insulation materials	Ordinary	100.00	0
Scotia Roofing Supplies Limited	Scotland	Dissolved	Ordinary	100.00	0
Scotia Roofing and Building Supplies Limited	Scotland	Sale of building materials	Ordinary	100.00	0
NYT (Holdings) Limited	England	Holding company	Ordinary	100.00	0
North Yorkshire Timber Limited	England	Timber processing and retail	Ordinary	0	100.00
Joseph Thompson & Co. Limited	England	Dormant	Ordinary	0	100.00
Orchard Timber Products Limited	Scotland	Timber processing and retail	Ordinary	100.00	0
Ken's Yard Limited	Scotland	Dormant	Ordinary	0	100.00
Legname Limited	Scotland	Dormant	Ordinary	0	100.00

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Stocks

	2021 £	2020 £
Finished goods and goods for resale	13,438,348	10,571,741

14 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	9,044,141	8,816,060
Corporation tax recoverable	-	294,596
Amounts owed by group undertakings	1,710,123	4,153,591
Other debtors	-	44,598
Prepayments and accrued income	3,602,208	2,619,277
	14,356,472	15,928,122

15 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Invoice finance facility	16	7,809,397	2,734,886
Trade creditors		7,911,241	8,808,925
Amounts owed to group undertakings		14,146,992	6,696,366
Corporation tax		244,362	-
Other taxation and social security		1,356,661	2,300,642
Other creditors		204,218	179,002
Accruals and deferred income		3,477,527	1,860,135
		35,150,398	22,579,956

16 Loans and overdrafts

	2021 £	2020 £
Invoice finance facility	7,809,397	2,734,886
Payable within one year	7,809,397	2,734,886

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.

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 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	261,000	180,000
	<u>261,000</u>	<u>180,000</u>
Movements in the year:		2021 £
Liability at 1 January 2021		180,000
Charge to profit or loss		81,000
		<u>261,000</u>
Liability at 31 December 2021		<u>261,000</u>

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	317,275	245,321
	<u>317,275</u>	<u>245,321</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	300	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>

20 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	3,342,666	2,909,795
Between two and five years	10,181,004	8,870,697
In over five years	3,421,925	3,245,711
	<u>16,945,595</u>	<u>15,026,203</u>

NATIONAL TIMBER GROUP SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 LHSL2 Limited.

The company's 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 LLP, 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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