

Northwood & Wepa Limited

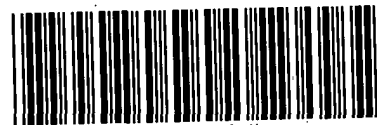
Report and Financial Statements

6 month period ended

31 December 2014

Company Number 08347876

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Northwood & Wepa Limited

Report and financial statements
for the period ended 31 December 2014

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Country of incorporation

England and Wales

Directors

C Deichmann
M B Docker
A S Fecher
P Fecher
P E King
M J Redfern
D Reid
M O Krengel
W L Hirner
M D Fecher
R G Mcgraa

Company secretary and registered office

P King, Bridgend Paper Mill Llangynwyd, Maesteg, Mid Glamorgan, Wales, CF34 9RS

Company number

08347876

Auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

Northwood & Wepa Limited

Strategic report for the period ended 31 December 2014

Financial review

Following the success of Northwood and Wepas first trading period to 30 June 2014, the company has continued to build on its relationships within the UK and Ireland retail sectors. The company continues to focus on meeting customers' requirements through superior quality, service and product innovation whilst maintaining competitive pricing.

Although the period to 31 December 2014 has been challenging following the acquisition of the Bridgend Mill in 2013, the company has continued to grow and invest in the future. This is evident in both the companies' efficiency to convert paper, producing increased volumes and its ability to meet customers' changing specifications. The company has established multiple supply routes to ensure we have no exposure to supply chain issues. This is true for both parent reels and for finished products.

Many challenges still exist both externally and within but, 2015 promises to be an exciting year for Northwood & Wepa. In-line with the company's strategy to achieve further growth, opportunities across the private label range exist which, the company is well positioned to take advantage of through its continuous product development.

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the company's performance and could cause actual results to differ materially from expected and historical results. The principal business risks that the company faces are the competitive nature of the marketplace and the fluctuations in the price of raw materials and energy.

The directors have the responsibility for risk management and have various strategies for doing so. Some of the strategies are laid out in note 15.

Financial key performance indicators

The company's key performance indicators are Turnover, Profits after tax and Liquidity. These were as follows:

	31 December 2014 (6 Months Trading) £'000	30 June 2014 (14 Months Trading) £'000
Turnover	49,718	115,513
Profit after tax (Exc. Gains on acquisition)	3,614	2,536
Net Assets	81,166	87,867
Current ratio	2:1	2:1
Gearing	1.7:1	2.2:1

This strategic report was approved by the board on 16 July 2015 and signed on its behalf by



M Redfern
Director

Northwood & Wepa Limited

Report of the directors for the period ended 31 December 2014

The directors present their report and the financial statements for the 6 month period ended 31 December 2014.

Results

The results for the period are set out in the strategic report on page 1. A dividend of £0.5m (period ended 30 June 2014: £nil) was declared.

Principal activity

The principal activity of the company is that of producing and converting paper.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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.

Financial Instruments

The company's financial risk management objectives and policies are disclosed in note 15. Details of the use of financial instruments are also given in note 15.

Research and development

All research costs are written off as incurred. Any development expenditure that meets the qualifying criteria is capitalised. No items meet the criteria for capitalisation in the period.

Northwood & Wepa Limited

Report of the directors for the period ended 31 December 2014 (*continued*)

Political and charitable contributions

During the period, the company made no political donations and made charitable donations of £720 (18 month period ended 30 June 2014 - £950).

Directors

The directors of the company during the period, and subsequent to the period end were:

C Deichmann
M B Docker
A S Fecher
P Fecher
P E King
M J Redfern
D Reid
M O Krengel (Appointed: 15 August 2014)
W L Hirner (Appointed: 15 August 2014)
M D Fecher (Appointed: 15 August 2014)
J Krengel (Resigned: 15 August 2014)
R G Mcgraa (Appointed: 20 May 2015)

Provision of information to auditors

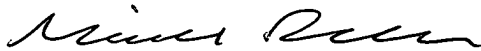
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The auditors, BDO LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 July 2015 and signed on its behalf by



M Redfern
Director

Northwood & Wepa Limited

Independent auditor's report

TO THE MEMBERS OF NORTHWOOD & WEPA LIMITED

We have audited the financial statements of Northwood & Wepa Limited for the 6 months ended 31 December 2014 which comprise the statement of comprehensive income, statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

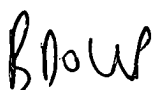
Northwood & Wepa Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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



*Philip Storer (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Manchester
United Kingdom*

Date *29 SEPTEMBER 2015*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Northwood & Wepa Limited

Statement of comprehensive income for the period ended 31 December 2014

	Note	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Revenue	2	49,718	115,513
Cost of sales		(40,299)	(97,938)
Gross profit		9,419	17,575
Administrative expenses		(4,361)	(12,764)
Other operating income	3	3	48
Profit from operations	4	5,062	4,859
Gain on acquisition	8	-	23,606
Profit before interest		5,062	28,465
Finance income	6	493	272
Finance costs	7	(698)	(1,380)
Profit before taxation		4,857	27,357
Tax expense	9	(1,243)	(1,215)
Profit for the period		3,614	26,142
Total comprehensive income for the period		3,614	26,142

All amounts relate to continuing operations.

All of the total comprehensive income for the period is attributable to the equity holders of the parent.

The notes on pages 10 to 27 form part of these financial statements.

Northwood & Wepa Limited

Statement of financial position at 31 December 2014

	Note	31 December 2014 £'000	31 December 2014 £'000	30 June 2014 £'000	30 June 2014 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10		49,883		51,161
Current assets					
Inventories	11	11,414		10,634	
Trade and other receivables	12	19,175		20,869	
Financial assets	15	337			
Cash and cash equivalents	20	357		5,203	
Total current assets			31,283		36,706
Total assets			81,166		87,867
LIABILITIES					
Non-current liabilities					
Long term borrowings	14	28,646		35,937	
Deferred tax liabilities	16	1,129		840	
Total non-current liabilities			29,775		36,777
Current liabilities					
Trade and other payables	13	17,937		22,521	
Short-term borrowings	14	3,198		1,427	
Total current liabilities			21,135		23,948
Total liabilities			50,910		60,725
EQUITY					
Share capital	17		1,000		1,000
Retained earnings			29,256		26,142
EQUITY ATTRIBUTABLE TO THE OWNERS			30,256		27,142
TOTAL EQUITY AND LIABILITIES			81,166		87,867

The financial statements on pages 10 to 27 were approved and authorised for issue by the Board of Directors on 16 July 2015 and were signed on its behalf by:


M Redfern
Director

The notes on pages 10 to 27 form part of these financial statements.

Northwood & Wepa Limited

Statement of cash flows for the period ended 31 December 2014

	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Cash flows from operating activities		
Profit for the period	3,614	26,142
<i>Adjustments for:</i>		
Gain on acquisition	-	(23,606)
Depreciation of property, plant and equipment	1,858	4,237
Finance income	(493)	(272)
Finance expense	698	1,380
Tax expense	1,243	1,216
(Increase)/decrease in inventories	(780)	174
Decrease/(increase) in trade and other receivables	1,694	(20,869)
(Decrease)/increase in trade and other payables	(1,162)	16,751
	<hr/>	<hr/>
Cash generated from operations	6,672	5,153
Finance expense paid	(521)	(983)
Income taxes paid	(268)	-
	<hr/>	<hr/>
Net cash generated from operating activities	5,883	4,170
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of trade and assets	(4,600)	(35,600)
Purchase of property, plant and equipment	(589)	(2,003)
Finance income received	156	272
	<hr/>	<hr/>
Net cash absorbed by investing activities	(5,033)	(37,331)
	<hr/>	<hr/>
Cash flows from financing activities		
Net proceeds from issue of share capital	-	1,000
Proceeds from long-term borrowings	-	30,967
Proceeds from related party loans	-	6,397
Repayment of other loans	(5,696)	-
	<hr/>	<hr/>
Net cash absorbed by financing activities	(5,696)	38,364
	<hr/>	<hr/>
Net change in cash and cash equivalents	(4,846)	5,203
Cash and cash equivalents at start of period	5,203	-
	<hr/>	<hr/>
Cash and cash equivalents at end of period	357	5,203
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 27 form part of these financial statements.

Northwood & Wepa Limited

Statement of changes in equity for the period ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total equity £'000
At start of period	1,000	26,142	27,142
Changes in equity for period ended 31 December 2014:			
Profit for the year	-	3,614	3,614
Dividends payable	-	(500)	(500)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	1,000	29,256	30,256
	<hr/>	<hr/>	<hr/>
At start of period	-	-	-
Changes in equity for period ended 30 June 2014:			
Issue of shares for cash	1,000	-	1,000
Profit for the year	-	26,142	26,142
	<hr/>	<hr/>	<hr/>
At 30 June 2014	1,000	26,142	27,142
	<hr/>	<hr/>	<hr/>

Northwood & Wepa Limited

Notes forming part of the financial statements for the period ended 31 December 2014

1 Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as endorsed by the European Union ("endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under endorsed IFRS.

Basis of preparation of financial statements

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB). They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that those standards or interpretations which have been issued by the International Accounting Standards Board, but which have not been adopted, will have a material impact on the financial statements of the Company in the period of initial application.

Adoption of new and revised standards

The following standards and interpretations were effective in 2014 but have not had a material impact on the company:

IFRS 13 Fair Value Measurement

The following standards and interpretations to published standards are not yet effective:

<i>New standard or interpretation</i>	<i>EU Endorsement status</i>	<i>Mandatory effective date (periods beginning)</i>
IFRS 15 Revenue from contracts with customers	Expected Q2 2015	1 January 2018
IFRS 9 Financial Instruments	To be confirmed	1 January 2018

The Directors anticipate that the adoption of these Standards in future periods may have an impact on the results and net assets of the company, however, it is too early to quantify this.

The Directors anticipate that the adoption of other Standards and Interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the company.

Revenue

Revenue is recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts. Revenue is recognised when the risks and rewards attributable to the sale have been transferred to the customer, which is considered to be on delivery.

Northwood & Wepa Limited

Notes forming part of the financial statements for the period ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Property, plant and equipment

All property, plant and equipment assets are stated at valuation less accumulated depreciation. The residual values and useful lives of all assets are reviewed annually.

Depreciation is provided by the company on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold property	-	6 years
Plant and machinery	-	5-25 years
General equipment	-	3-15 years

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Engineering stores inventory is held at weighted average cost. Provision is made for obsolete and slow-moving items.

Other inventories are measured at standard cost. Provision is made for obsolete and slow-moving items.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement 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 date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The Company's functional and presentational currency is Pounds Sterling (£) and this is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Northwood & Wepa Limited

Notes forming part of the financial statements for the period ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Pensions

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown as receivables or payables in the statement of financial position.

Trade and other receivables

Trade and other receivables are non-interest bearing and are stated at their nominal amount less provisions made for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on historical experience together with specific amounts that are not expected to be collectable. Individual amounts are written off when management deems them not to be collectable.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank. Bank overdrafts are disclosed as current liabilities.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

Financial assets are recognised at fair value on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Fair Value through profit and loss

This category only comprises in-the-money derivatives (see "Financial liabilities" section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the company does not have any assets held for trading nor does it voluntarily classify any financial assets as being fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, e.g. trade receivables. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Northwood & Wepa Limited

Notes forming part of the financial statements for the period ended 31 December 2014 (*continued*)

1 Accounting policies (*continued*)

Loans and receivables (continued)

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents include cash in hand, deposits held at call and overdrafts with banks.

Financial liabilities

Other financial liabilities

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding;
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the company's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Northwood & Wepa Limited

Notes forming part of the financial statements
for the period ended 31 December 2014 (continued)

2 Segmental analysis

The whole of the turnover is attributable to the principal activities of the company.

The company operates in two principal geographical areas, UK and Europe. Revenue from external customers is by location of customer.

	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
United Kingdom	48,281	113,226
Europe	1,437	2,287
	<u>49,718</u>	<u>115,513</u>

All of the company's assets are located in the United Kingdom.

IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker ('CODM') in order to allocate resources to the segment and assess its performance. The CODM has been determined as the Board of Directors as they are principally responsible for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The reporting of results to the CODM reflects only one trading division which relates to the principal activity of the company and the results as shown in the statement of comprehensive income therefore reflect the results of this segment.

All assets and liabilities reported in the statement of financial position are attributable to the one operating segment identified.

3 Other operating income

	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Other operating income	3	48
	<u>3</u>	<u>48</u>

Other operating income in the prior year related to discounts received.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

4 Profit from operations

The operating result is stated after charging:

	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Depreciation - owned by the company	1,858	4,237
Operating lease rentals	235	580
Auditors' remuneration:		
- audit services	24	24
- non audit services	11	11
	<hr/>	<hr/>

5 Staff costs

Staff costs were as follows:

	6 months Ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Wages and salaries	4,414	10,088
Social security costs	530	1,087
Other pension costs	597	1,348
	<hr/>	<hr/>
	5,541	12,523
	<hr/>	<hr/>

The average monthly number of employees, including the directors, during the period was as follows:

	6 months ended 31 December 2014 Number	18 months ended 30 June 2014 Number
Production	146	146
Maintenance	38	37
Administration	55	48
	<hr/>	<hr/>
Total	239	231

Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel are considered to be the Directors of the company as listed on page 3.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

5 Staff costs (<i>continued</i>)	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Directors' and key management personnel remuneration consist of:		
Emoluments	222	604
Contributions to personal pension schemes	16	46
	<hr/>	<hr/>
Total	238	650
	<hr/> <hr/>	<hr/> <hr/>
Remuneration in respect of the highest paid director:		
Emoluments	83	188
Contributions to personal pension schemes	6	13
	<hr/>	<hr/>
Total	89	201
	<hr/> <hr/>	<hr/> <hr/>
6 Finance income	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Other interest receivable	97	272
Gain on financial assets	396	-
	<hr/>	<hr/>
Total	493	272
	<hr/> <hr/>	<hr/> <hr/>
7 Finance costs	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
On bank loans and overdrafts	538	983
On related party loans	160	397
	<hr/>	<hr/>
Total	698	1,380
	<hr/> <hr/>	<hr/> <hr/>

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

8 Gain on acquisition	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Gain on acquisition	-	23,606
	-	23,606

The above income recognised in the prior period relates to the acquisition of certain trade and assets from SCA Group. See note 21.

9 Taxation on ordinary activities	6 months ended 31 December 2014 £'000	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000	18 months ended 30 June 2014 £'000
<i>Current tax</i>				
UK corporation tax	960		375	
Adjustment in respect of prior periods	(6)		-	
	954		375	
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	258		840	
Effect of change in rate of deferred tax	31		-	
	289		840	
Total tax charge	1,243		1,215	

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (continued)

9 Taxation on ordinary activities (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period are as follows:

	6 months ended 31 December 2014 £'000	18 months ended 30 June 2014 £'000
Profit before tax	4,857	27,357
Expected tax charges based on the standard rate of corporation tax in the UK of 21.0 % (30 June 2014 - 22.6%)	1,020	6,189
Effects of:		
Expenses not deductible for tax purposes	23	13
Fixed asset differences	477	335
Income not taxable for tax purposes	-	(5,340)
Other short term timing differences	-	22
Tax credits	-	(2)
Marginal relief	-	(2)
Capital allowances in excess of depreciation	(271)	-
Adjustments in respect of previous periods	(6)	-
Total tax charge	1,243	1,215

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

10 Property, plant and equipment

	Leasehold property £'000	Plant and machinery £'000	General equipment £'000	Assets under construction £'000	Total £'000
<i>Cost</i>					
At 1 July 2014	31	52,541	2,298	403	55,273
Additions	-	-	-	580	580
Disposals	-	-	-	-	-
Reclassification	-	310	18	(328)	-
At 31 December 2014	31	52,851	2,316	655	55,853
<i>Accumulated depreciation</i>					
At 1 July 2014	3	3,859	250	-	4,112
Depreciation charge	2	1,709	147	-	1,858
Disposals	-	-	-	-	-
At 31 December 2014	5	5,568	397	-	5,970
<i>Net book value</i>					
At 31 December 2014	26	47,283	1,919	655	49,883
At 30 June 2014	28	48,682	2,048	403	51,161

11 Inventories

	31 December 2014 £'000	30 June 2014 £'000
Raw materials	1,640	2,075
Work in progress	1,869	1,429
Production supplies	4,042	3,939
Finished goods and goods for resale	3,863	3,191
	11,414	10,634

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (continued)

12 Trade and other receivables

	31 December 2014 £'000	30 June 2014 £'000
Trade receivables	17,352	15,508
Other receivables	41	4,488
Prepayments and accrued income	1,782	873
	<hr/>	<hr/>
	19,175	20,869
	<hr/>	<hr/>

The company is exposed to credit risk with respect to trade receivables due from its customers. The company assesses the credit rating for new customers to minimise the credit risk. Provisions for bad and doubtful debts are made based on management's objective assessment of the risk taking into account the age of the debt and items considered to be in dispute with customers. Given the nature of the customers, and the credit insurance in place, the directors consider that no provision is required against the trade receivables balance. As at 31 December 2014 trade receivables of £nil were past due but not impaired.

As at 31 December 2014 trade receivables of £nil were past due, impaired and provided against. The company takes a prudent view in assessing the risk of non-payment and considers provision for all debts more than three months in arrears unless there are specific circumstances to indicate that there is little or no risk of non-payment of these older amounts.

The carrying amounts of the company's trade and other receivables are denominated in the following currencies:

	£'000
Pound Sterling	16,884
Euro	468
	<hr/>
Total	17,352
	<hr/>

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

Northwood & Wepa Limited

**Notes forming part of the financial statements
For the period ended 31 December 2014 (continued)**

13 Trade and other payables - current

	31 December 2014 £'000	30 June 2014 £'000
Trade payables	9,887	11,082
Other payables	685	5,219
Accruals and deferred income	4,893	4,682
	15,465	20,983
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	15,465	20,983
Other tax and social security taxes	2,472	1,538
	17,937	22,521
Total trade and other payables	17,937	22,521

To the extent trade and other payables are not carried at fair value in the balance sheet, book value approximates to fair value.

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost, is as follows:

	£'000	£'000
Up to 3 months	14,843	20,894
3 to 6 months	122	89
6 to 12 months	500	-
	15,465	20,983
Total	15,465	20,983

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (continued)

14 Loans and borrowings

	31 December 2014 £'000	30 June 2014 £'000
Bank loans (secured)	25,287	30,967
Related party loans (secured)	6,557	6,397
Total	31,844	37,364

Principal terms and the debt repayment schedule of the company's loans and borrowings are as follows:

	Currency	Year of maturity	Security
Secured bank loan	GBP	2016	See below
Loans from related parties	GBP	2018	Secured

The bank loan is secured against all assets of the company.

Maturity analysis of loans and borrowings:

	31 December 2014 £'000	30 June 2014 £'000
In less than one year	3,198	1,427
In more than one year but not more than two years	26,628	32,394
In more than two years but not more than five years	2,018	3,543
Total	31,844	37,364

15 Financial instruments

Risk Management

The company is exposed through its operations to one or more of the following financial risks:

- Market price risk
 - Fair value or cash flow interest rate risk
 - Foreign currency risk
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Finance Director. The policy for each of the above risks is described in more detail below. Further quantitative information in respect of these risks is presented throughout these financial statements.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

15 Financial instruments (*continued*)

Principal financial instruments

The principal financial instruments used by the company, from which financial risk arises, are as follows:

- Trade receivables
- Cash at bank
- Trade and other payables
- Floating-rate bank loans
- Loans from related parties
- Forward contracts

Market risk

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

Bank loans are secured against the various assets of the company, with a different interest rate attributable to each class of asset. The company manages its interest rate risk by allocating the loan against the more liquid assets. The rate secured for the companies funding requirements were negotiated at incorporation and are deemed to be commercially acceptable to the Board of the Company.

Foreign currency risk

The company does not have any operations located overseas and the majority of customers are located in the United Kingdom. As such, the company is not exposed to significant foreign exchange risk in relation to its sales.

The company makes certain purchases in US dollars and closely monitors exchange rate movements. The company holds US dollar cash balances to reduce the risk in relation to exchange rate movements and also purchases forward contracts when appropriate.

Other market price risk

Where the company has generated a significant amount of surplus cash it invests in money market overnight deposits. The directors believe that the exposure to market price risk from this activity is acceptable in the company's circumstances. The company closely monitors energy price movements and any risk is reduced by forward buying. The amount the company will buy forward depends upon the company's perceived risk within the market.

Liquidity risk

The liquidity risk of the company is managed by comparing to budgets and quarterly forecasts.

The principle terms of the company's borrowings are set out in note 14.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

15 Financial instruments (*continued*)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company is mainly exposed to credit risk from credit sales. It is company policy, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices, are then factored into any contractual arrangements.

The company does not have any significant credit risk exposure to any single customer. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk. Where credit risk is deemed above the industry standard, credit insurance is obtained to mitigate any such risks.

Further details, including quantitative information, are included in note 12.

Capital disclosures

The company monitors its level of capital which comprises all components of equity.

The company's objective when maintaining capital is to safeguard the company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders. In order to maintain the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Sensitivity analysis

Whilst the company takes steps to minimise its exposure to cash flow interest rate risk and foreign exchange risk as described above, changes in interest and foreign exchange rates will have an impact on profit.

The directors consider a 0.75% movement in the interest rate to be reasonably possible as at the reporting date. The annualised effect of a 0.75% increase or decrease in the interest rate at the reporting date on the variable rate debt carried at that date would, all other variables being held constant, in the directors' opinion, be immaterial.

The directors consider that there is no material risk in relation to exchange rate movements. Where foreign exchange rate movements are forecast to move adversely against budget, foreign currency is purchased using forward contracts to reduce exposure.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

15 Financial instruments (*continued*)

Financial Instruments by category

The carrying value of the company's financial instruments (together with non-financial assets/liabilities for reconciling purposes) are analysed as follows:

	Note	Loans and receivables £'000	Amortised cost £'000	FVTPL £'000	Non- financial instruments £'000	Total £'000
Assets						
Non-current assets	10	-	-	-	49,883	49,883
Trade and other receivables:						
Trade receivables	12	17,352	-	-	-	17,352
Other non- derivative financial assets	12	1,823	-	-	11,414	13,237
Financial Assets		-	-	337	-	337
Cash and cash equivalents	20	357	-	-	-	357
Total assets		19,532	-	337	61,297	81,166
Liabilities						
Borrowings:						
Current	14	-	(3,198)	-	-	(3,198)
Non-current	14	-	(28,646)	-	-	(28,646)
Deferred tax liabilities	16	-	-	-	(1,129)	(1,129)
Trade and other payables:						
Trade payables	13	-	(9,887)	-	-	(9,887)
Other non- derivative financial liabilities	13	-	(5,578)	-	-	(5,578)
Non-financial instruments	13	-	-	-	(2,472)	(2,472)
Total liabilities		-	(47,309)	-	(3,601)	(50,910)
Net assets		19,532	(47,309)	337	57,696	30,256

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

16 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20%.

The movement on net deferred tax is as shown below:

	31 December 2014 £'000	30 June 2014 £'000
At start of period	840	-
Charge to income statement - other temporary differences	289	840
	1,129	840
At 31 December 2014	1,129	840

17 Share capital

	Allotted, called up and fully paid			
	31 December 2014 Number	31 December 2014 £'000	30 June 2014 Number	30 June 2014 £'000
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000
	1,000,000	1,000	1,000,000	1,000

1,000,000 ordinary shares were issued during the period on formation of the company.

18 Operating lease commitments

	Land and buildings	Other	Land and buildings	Other
	31 December 2014 £'000	31 December 2014 £'000	30 June 2014 £'000	30 June 2014 £'000
Operating leases which expire:				
Not later than one year	405	42	405	27
Later than one year and not later than five years	863	60	320	33
	1,268	102	725	60
	1,268	102	725	60

Northwood & Wepa Limited

Notes forming part of the financial statements
For the period ended 31 December 2014 (*continued*)

19 Controlling parties and related party transactions

The share capital of the company is owned in equal proportions by Winfried Limited and PL Supplies Limited.

Included within note 14 is an amount of £3.3m (30 June 2014: £3.2m) owed to Winfried Limited and an amount of £2.0m (30 June 2014: £1.9m) owed to PL Supplies Limited. In addition, there is an amount of £1.3m (30 June 2014: £1.3m) owed to (The Trustees of the) Northwood Paper Sales Limited Pension Scheme.

Included in other debtors is an amount due from NW Property LLP of nil (30 June 2014: £4.2m) in respect of a loan. Included within prepayments is an amount of £1.1m (30 June 2014: £nil) in respect of advance rent paid to NW Property LLP. During the year NW Property LLP charged the company £0.2m (18 month ended 30 June 2014: £0.4m) in respect of rent. Management charges of £0.07m per month have been charged by related parties and included within trade payables is an amount of £0.5m (30 June 2014: £1.3m) owed to Northwood Paper Sales Limited which relates to purchases made during the period.

20 Cash and cash equivalents

	31 December 2014 £'000	30 June 2014 £'000
Cash at bank and in hand	357	5,203

21 Acquisition of trade and assets in prior period

On 6 March 2013, the company acquired certain trade and assets from SCA Group. The following table sets out the fair values of the identifiable assets and liabilities acquired:

	Fair value £'000
Assets	53,379
Property, plant and equipment	12,212
Liabilities	(1,785)
Net assets	63,806
Acquisition costs charged to the income statement	116

The consideration paid was the difference between the negative goodwill as set out in note 8 and fair value of the assets as set out above. NW Property LLP, a related party acquired land and buildings as part of the acquisition which is not included in the fair value above.

All of the results for both periods are attributable to the assets acquired.