

# Northwood & Wepa Limited

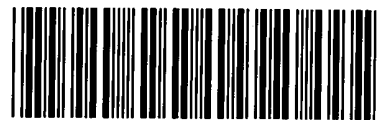
Report and Financial Statements

Year ended

31 December 2016

Company Number 08347876

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# Northwood & Wepa Limited

Report and financial statements  
for the year ended 31 December 2016

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## Country of incorporation

England and Wales

## Directors

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  
H Otto

## Company secretary and registered office

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

## Company number

08347876

## Auditor

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

# Northwood & Wepa Limited

Strategic report  
for the year ended 31 December 2016

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## Financial review

The Company's performance was strong in the year to 31 December 2016. Our focus has continued to be a supplier of retail branded kitchen towel and bathroom tissue to the consumer market, on meeting customers' requirements through superior quality, service and product innovation whilst maintaining competitive pricing.

The weakening of the British Pound in 2016 was largely offset by the company's foreign exchange hedging policy, which has allowed the company to sustain its level of profitability. This was aided by the company's continuous improvement process, which has led to further efficiencies. The company has continued its research and development programme leading to product and process innovation and cost reduction during the year.

The biggest threat to company performance in 2017 is expected to be inflation driven by the weakening British pound. However, the company has secured a new finance agreement with Lloyds Bank Commercial Finance Ltd. As such, the company will invest for the future in 2017, in-line with the company's strategy to achieve further growth and cost reduction.

## 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, energy as well as currency. The company has adopted a hedging policy to partially mitigate these variants.

The directors have the responsibility for risk management and have various strategies for doing so. Some of the strategies are laid out in note 16.

## Financial key performance indicators

The company's key performance indicators are as follows:

	31 December 2016 (12 Months Trading) £'000	31 December 2015 (12 Months Trading) £'000
Revenue	114,378	115,345
Profit after tax	12,670	11,415
Profit after tax %	11%	9.9%
Net Assets	78,120	80,290
Current ratio	1.6	1.34
Gearing %	18%	31%

This strategic report was approved by the board on 5 July 2017 and signed on its behalf by



M Redfern  
Director

# Northwood & Wepa Limited

## Directors' report for the year ended 31 December 2016

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The directors present their report and the financial statements for the year ended 31 December 2016.

### Results

The results for the year are set out on page 6. A dividend of £3.6m was declared and paid in the year (2015 - £2.5m declared but not paid in the year).

### 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 year. 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 16. Details of the use of financial instruments are also given in note 16.

### 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 year.

# Northwood & Wepa Limited

## Directors' report for the year ended 31 December 2016 (*continued*)

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### Political contributions

During the year, the company made no political donations.

### Directors

The directors of the company during the year were:

C Deichmann (resigned 18 May 2016)  
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  
H Otto (appointed 18 May 2016)

### Provision of information to auditors

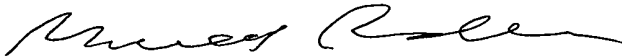
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

### Auditor

The auditor, 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 5 July 2017 and signed on its behalf by



M Redfern  
Director

# Northwood & Wepa Limited

## Independent auditor's report to the members of Northwood & Wepa Limited

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We have audited the financial statements of Northwood & Wepa Limited for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the 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](http://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 2016 and of its profit for the year 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 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 directors' report have been prepared in accordance with applicable legal requirements.

# Northwood & Wepa Limited

## Independent auditor's report (*continued*)

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### Matters on which we are required to report by exception

Based on our knowledge and understanding of the company and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report or the directors' report.

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

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

BDO LLP.

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

Date 6 July 2017

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 year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	114,378	115,345
Cost of sales		(89,435)	(91,203)
<b>Gross profit</b>		<b>24,943</b>	<b>24,142</b>
Administrative expenses		(8,747)	(8,714)
Other operating income	4	295	80
<b>Profit from operations</b>	5	<b>16,491</b>	<b>15,508</b>
Finance income	7	21	38
Finance costs	8	(480)	(985)
<b>Profit before taxation</b>		<b>16,032</b>	<b>14,561</b>
Tax expense	9	(3,362)	(3,146)
<b>Profit for the year</b>		<b>12,670</b>	<b>11,415</b>
<b>Total comprehensive income for the year</b>		<b>12,670</b>	<b>11,415</b>

All amounts relate to continuing operations.

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

The notes on pages 11 to 29 form part of these financial statements.

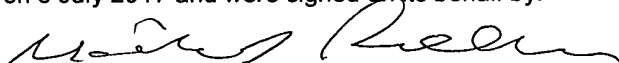


# Northwood & Wepa Limited

## Statement of financial position at 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10		47,280		48,630
<b>Current assets</b>					
Inventories	11	8,344		9,877	
Trade and other receivables	12	20,937		20,340	
Financial assets	16	-		592	
Cash and cash equivalents	13	1,559		851	
<b>Total current assets</b>			<b>30,840</b>		<b>31,660</b>
<b>Total assets</b>			<b>78,120</b>		<b>80,290</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Long term borrowings	15	8,766		15,754	
Deferred tax liabilities	17	1,598		1,384	
Finance leases	19	316		388	
<b>Total non-current liabilities</b>			<b>10,680</b>		<b>17,526</b>
<b>Current liabilities</b>					
Trade and other payables	14	16,278		20,867	
Short-term borrowings	15	1,212		1,175	
Financial liabilities	16	71		-	
Corporation tax payable		1,566		1,482	
Finance leases	19	72		69	
<b>Total current liabilities</b>			<b>19,199</b>		<b>23,593</b>
<b>Total liabilities</b>			<b>29,879</b>		<b>41,119</b>
<b>EQUITY</b>					
Share capital	18		1,000		1,000
Retained earnings			47,241		38,171
<b>EQUITY ATTRIBUTABLE TO THE OWNERS</b>			<b>48,241</b>		<b>39,171</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>78,120</b>		<b>80,290</b>

The financial statements on pages 6 to 29 were approved and authorised for issue by the Board of Directors on 5 July 2017 and were signed on its behalf by:



M Redfern  
Director

The notes on pages 11 to 29 form part of these financial statements.

# Northwood & Wepa Limited

## Statement of cash flows for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit for the year	12,670	11,415
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	3,978	4,051
Loss on disposal of fixed assets	4	11
Movement in tax value of financial asset/liability	663	-
Finance income	(21)	(537)
Finance expense	480	985
Tax expense	3,362	3,146
Decrease in inventories	1,533	1,537
Increase in trade and other receivables	(597)	(884)
(Decrease)/increase in trade and other payables	(2,000)	1,918
	20,072	21,642
Cash generated from operations	20,072	21,642
Finance expense paid	(268)	(1,539)
Income taxes paid	(3,152)	(2,381)
	16,652	17,722
Net cash generated from operating activities	16,652	17,722
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment	2	-
Purchase of property, plant and equipment	(2,635)	(2,289)
Finance income received	21	-
	(2,612)	(2,289)
Net cash absorbed by investing activities	(2,612)	(2,289)
<b>Cash flows from financing activities</b>		
Capital element of finance lease repaid	(69)	(61)
Dividend paid	(6,100)	(500)
Repayment of other loans	(14,663)	(14,378)
Proceeds from long term borrowings	7,500	-
	(13,332)	(14,939)
Net cash absorbed by financing activities	(13,332)	(14,939)
<b>Net change in cash and cash equivalents</b>	708	494
Cash and cash equivalents at start of year	851	357
	1,559	851
<b>Cash and cash equivalents at end of year</b>	1,559	851

The notes on pages 11 to 29 form part of these financial statements.

# Northwood & Wepa Limited

## Statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>31 December 2015</b>	<b>1,000</b>	<b>38,171</b>	<b>39,171</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	12,670	12,670
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>12,670</b>	<b>12,670</b>
<b>Contributions by and distributions to owners</b>			
Dividends	-	(3,600)	(3,600)
	<hr/>	<hr/>	<hr/>
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>(3,600)</b>	<b>(3,600)</b>
	<hr/>	<hr/>	<hr/>
<b>31 December 2016</b>	<b>1,000</b>	<b>47,241</b>	<b>48,241</b>

The notes on pages 11 to 29 form part of these financial statements.

# Northwood & Wepa Limited

## Statement of changes in equity for the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>31 December 2014</b>	1,000	29,256	30,256
<b>Comprehensive income for the year</b>			
Profit for the year	-	11,415	11,415
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	-	11,415	11,415
<b>Contributions by and distributions to owners</b>			
Dividends	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>
<b>Total contributions by and distributions to owners</b>	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>
<b>31 December 2015</b>	1,000	38,171	39,171
	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 29 form part of these financial statements.

# Northwood & Wepa Limited

## Notes forming part of the financial statements for the year ended 31 December 2016

### 1 Accounting policies

#### 1.1 Basis of preparation of financial statements

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.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

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 2016 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	2016	1 January 2018
IFRS 9 Financial Instruments	2016	1 January 2018
FRS 16 Leases	TBC	1 January 2019
Clarifications to IFRS 15 revenue from Contracts with Customers	TBC	1 January 2018
Annual Improvements to IFRSs (2014 - 2016 Cycle)	TBC	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	TBC	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.

# Northwood & Wepa Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 1 Accounting policies (*continued*)

### 1.2 Revenue

Revenue is recognised by the company in respect of goods and services supplied during the year, 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.

### 1.3 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

### 1.4 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.

### 1.5 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.

### 1.6 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 year. 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 year 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.

# Northwood & Wepa Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

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### 1 Accounting policies (*continued*)

#### 1.7 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.

#### 1.8 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.

#### 1.9 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.

#### 1.10 Cash and cash equivalents

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

#### 1.11 Trade and other payables

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

#### 1.12 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.

#### 1.13 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.

# Northwood & Wepa Limited

## Notes forming part of the financial statements for the year ended 31 December 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### 1.13 Financial assets (*continued*)

##### *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.

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.

#### 1.14 Financial liabilities

##### *Fair value through profit or loss*

This category comprises only out-of-the-money derivatives (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

##### *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 year 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.



# Northwood & Wepa Limited

Notes forming part of the financial statements  
for the year ended 31 December 2016 (*continued*)

## 2 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.

## 3 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.

	2016 £'000	2015 £'000
United Kingdom	113,386	112,580
Rest of Europe	992	2,765
	<u>114,378</u>	<u>115,345</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.

## 4 Other operating income

	2016 £'000	2015 £'000
Other operating income	295	80
	<u>295</u>	<u>80</u>

Other operating income relates to discounts received and gain on sale of non-current assets.

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

## 5 Profit from operations

The operating result is stated after charging/(crediting):

	2016 £'000	2015 £'000
Depreciation - owned by the company	3,978	4,051
Operating lease rentals	515	517
Auditors' remuneration:		
- audit services	24	24
- non audit services	15	11
Research and development costs	156	184
Foreign exchange gains	(1,483)	(499)
	_____	_____

## 6 Staff costs

	2016 £'000	2015 £'000
Staff costs were as follows:		
Wages and salaries	9,781	9,264
Social security costs	1,083	1,024
Other pension costs	1,216	1,213
	_____	_____
	12,080	11,501
	_____	_____

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

	2016 Number	2015 Number
Production	160	153
Maintenance	43	38
Administration	55	58
	_____	_____
Total	258	249
	_____	_____

### *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 year ended 31 December 2016 (continued)

	2016 £'000	2015 £'000
<b>6 Staff costs (continued)</b>		
Directors' and key management personnel remuneration consist of:		
Emoluments	655	628
Contributions to personal pension schemes	46	44
	<u>701</u>	<u>672</u>
Total	<u>701</u>	<u>672</u>
Remuneration in respect of the highest paid director:		
Emoluments	200	190
Contributions to personal pension schemes	14	13
	<u>214</u>	<u>203</u>
Total	<u>214</u>	<u>203</u>
<b>7 Finance income</b>		
	2016 £'000	2015 £'000
Other interest receivable	21	38
	<u>21</u>	<u>38</u>
<b>8 Finance costs</b>		
	2016 £'000	2015 £'000
On bank loans and overdrafts	296	683
On related party loans	170	302
On finance leases	14	-
	<u>480</u>	<u>985</u>
Total	<u>480</u>	<u>985</u>

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

9 Taxation on ordinary activities	2016 £'000	2016 £'000	2015 £'000	2015 £'000
<i>Current tax</i>				
UK corporation tax	3,217		2,848	
Adjustment in respect of prior periods	(69)		42	
		3,148		2,890
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	290		427	
Adjustments in respect of prior periods	-		(64)	
Effect of change in rate of deferred tax	(76)		(107)	
		214		256
Total tax charge		3,362		3,146

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

	2016 £'000	2015 £'000
Profit before tax	16,032	14,561
Expected tax charges based on the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	3,206	2,949
Effects of:		
Expenses not deductible for tax purposes	8	6
Fixed asset differences	293	320
Adjustments in respect of previous periods	(69)	(22)
Adjustment to deferred tax rate	(76)	(107)
Total tax charge	3,362	3,146

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*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 January 2016	31	54,770	2,364	1,482	58,647
Additions	-	-	-	2,635	2,635
Disposals	-	(8)	-	-	(8)
Reclassification	-	2,772	68	(2,840)	-
<b>At 31 December 2016</b>	<b>31</b>	<b>57,534</b>	<b>2,432</b>	<b>1,277</b>	<b>61,274</b>
<i>Accumulated depreciation</i>					
At 1 January 2016	10	9,309	698	-	10,017
Depreciation charge	5	3,669	304	-	3,978
Disposals	-	(1)	-	-	(1)
<b>At 31 December 2016</b>	<b>15</b>	<b>12,977</b>	<b>1,002</b>	<b>-</b>	<b>13,994</b>
<i>Net book value</i>					
<b>At 31 December 2016</b>	<b>16</b>	<b>44,557</b>	<b>1,430</b>	<b>1,277</b>	<b>47,280</b>
<b>At 31 December 2015</b>	<b>21</b>	<b>45,461</b>	<b>1,666</b>	<b>1,482</b>	<b>48,630</b>
	Leasehold property £'000	Plant and machinery £'000	General equipment £'000	Assets under construction £'000	Total £'000
<i>Cost</i>					
At 1 January 2015	31	52,851	2,316	655	55,853
Additions	-	520	-	2,289	2,809
Disposals	-	(15)	-	-	(15)
Reclassification	-	1,414	48	(1,462)	-
<b>At 31 December 2015</b>	<b>31</b>	<b>54,770</b>	<b>2,364</b>	<b>1,482</b>	<b>58,647</b>
<i>Accumulated depreciation</i>					
At 1 January 2015	5	5,568	397	-	5,970
Depreciation charge	5	3,745	301	-	4,051
Disposals	-	(4)	-	-	(4)
<b>At 31 December 2015</b>	<b>10</b>	<b>9,309</b>	<b>698</b>	<b>-</b>	<b>10,017</b>
<i>Net book value</i>					
<b>At 31 December 2015</b>	<b>21</b>	<b>45,461</b>	<b>1,666</b>	<b>1,482</b>	<b>48,630</b>
<b>At 31 December 2014</b>	<b>26</b>	<b>47,283</b>	<b>1,919</b>	<b>655</b>	<b>49,883</b>

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

## 11 Inventories

	2016 £'000	2015 £'000
Raw materials	1,611	1,999
Work in progress	977	999
Production supplies	4,338	4,305
Finished goods and goods for resale	1,418	2,574
	<u>8,344</u>	<u>9,877</u>

An impairment loss of £229,754 (2015 - £125,703) has been recognised as an expense during the year due to slow moving and obsolete stock. The cost of inventories recognised as an expense during the year was £58,299,197 (2015 - £57,952,412).

## 12 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	19,497	18,410
Other receivables	279	644
Prepayments and accrued income	1,161	1,286
	<u>20,937</u>	<u>20,340</u>

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. The provision for doubtful debt as at 31 December 2016 is £Nil (2015 - £9,288).

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	19,497
Euro	-
	<u>19,497</u>
<b>Total</b>	<b>19,497</b>

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 year ended 31 December 2016 (*continued*)

<b>13 Cash and cash equivalents</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Cash at bank and in hand	<u>1,559</u>	<u>851</u>
<b>14 Trade and other payables - current</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Trade payables	9,002	10,323
Other payables	267	2,816
Accruals and deferred income	<u>5,229</u>	<u>5,629</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>14,498</u>	<u>18,768</u>
Other tax and social security taxes	<u>1,780</u>	<u>2,099</u>
Total trade and other payables	<u>16,278</u>	<u>20,867</u>

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:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Up to 3 months	14,498	16,216
3 to 6 months	-	2,517
6 to 12 months	-	35
Total	<u>14,498</u>	<u>18,768</u>

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

## 15 Loans and borrowings

	2016 £'000	2015 £'000
Bank loans (secured)	7,540	13,308
Related party loans (secured)	2,438	3,621
<b>Total</b>	<b>9,978</b>	<b>16,929</b>

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	2019	See below
Loans from related parties	GBP	2018	Secured

The bank loan is secured against all assets of the company, with the exception of plant and machinery.

There is a floating charge against plant and machinery, which can be switched to a fixed charge if certain criteria of the covenants are made.

Maturity analysis of loans and borrowings:

	2016 £'000	2015 £'000
In less than one year	1,212	1,175
In more than one year but not more than two years	-	-
In more than two years but not more than five years	8,766	15,754
<b>Total</b>	<b>9,978</b>	<b>16,929</b>

## 16 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 year ended 31 December 2016 (*continued*)

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## 16 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 most of the customers are in the United Kingdom. As such, the company is not exposed to significant foreign exchange risk in relation to sales.

The company is exposed to US Dollars and Euros' for most its input costs. The company does operate a hedging policy of buying forward, which the company has benefitted from since Brexit. However, the company is expecting this impact to be negated in 2017.

#### *Other market price risk*

Where the company has generated a significant amount of surplus cash it invests in money market over-night 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 principal terms of the company's borrowings are set out in note 15.

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

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## 16 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***

The directors consider that there is circa £4 million impact in 2017 in relation to exchange rate movements. The company will attempt to offset the extra cost and protect its performance in the future period.

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (continued)

## 16 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:

2016	Note	Loans and receivables £'000	Amortised cost £'000	FVTPL £'000	Non- Financial Instruments £'000	Total £'000
<b>Assets</b>						
Non-current assets	10	-	-	-	47,280	47,280
Trade and other receivables:						
Trade receivables	12	19,497	-	-	-	19,497
Other non- derivative financial assets	12	1,440	-	-	8,344	9,784
Financial assets		-	-	-	-	-
Cash and cash equivalents	13	1,559	-	-	-	1,559
		<u>22,496</u>	<u>-</u>	<u>-</u>	<u>55,624</u>	<u>78,120</u>
<b>Total assets</b>		<b>22,496</b>	<b>-</b>	<b>-</b>	<b>55,624</b>	<b>78,120</b>
<b>Liabilities</b>						
Borrowings:						
Current	15	-	(1,212)	-	-	(1,212)
Non-current	15	-	(8,766)	-	-	(8,766)
Deferred tax liabilities	17	-	-	-	(1,598)	(1,598)
Trade and other payables:						
Trade payables	14	-	(9,002)	-	-	(9,002)
Other non- derivative financial liabilities	14	-	(5,884)	-	-	(5,884)
Financial liabilities		-	-	(71)	-	(71)
Non-financial instruments	14	-	-	-	(3,346)	(3,346)
		<u>-</u>	<u>(24,864)</u>	<u>(71)</u>	<u>(4,944)</u>	<u>29,879</u>
<b>Total liabilities</b>		<b>-</b>	<b>(24,864)</b>	<b>(71)</b>	<b>(4,944)</b>	<b>29,879</b>
<b>Net assets</b>		<b>22,496</b>	<b>(24,864)</b>	<b>(71)</b>	<b>50,680</b>	<b>48,241</b>

FVTPL relates to items which are treated as fair value through the profit and loss account.

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 *(continued)*

## 16 Financial instruments *(continued)*

2015	Note	Loans and receivables £'000	Amortised cost £'000	FVTPL £'000	Non- Financial Instruments £'000	Total £'000
<b>Assets</b>						
Non-current assets	10	-	-	-	48,630	48,630
Trade and other receivables:						
Trade receivables	12	18,410	-	-	-	18,410
Other non- derivative financial assets	12	1,930	-	-	9,877	11,807
Financial assets		-	-	592	-	592
Cash and cash equivalents	13	851	-	-	-	851
<b>Total assets</b>		<b>21,191</b>	<b>-</b>	<b>592</b>	<b>58,507</b>	<b>80,290</b>
<b>Liabilities</b>						
Borrowings:						
Current	15	-	(1,175)	-	-	(1,175)
Non-current	15	-	(15,754)	-	-	(15,754)
Deferred tax liabilities	17	-	-	-	(1,384)	(1,384)
Trade and other payables:						
Trade payables	14	-	(10,323)	-	-	(10,323)
Other non- derivative financial liabilities	14	-	(8,833)	-	-	(8,833)
Non-financial instruments	14	-	-	-	(3,650)	(3,650)
<b>Total liabilities</b>		<b>-</b>	<b>(36,085)</b>	<b>-</b>	<b>(5,034)</b>	<b>(41,119)</b>
<b>Net assets</b>		<b>21,191</b>	<b>(36,085)</b>	<b>592</b>	<b>53,473</b>	<b>39,171</b>

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

## 17 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:

	2016 £'000	2015 £'000
At start of year	1,384	1,129
Charge to income statement - other temporary differences	214	255
	<hr/>	<hr/>
At 31 December 2016	1,598	1,384
	<hr/>	<hr/>

The deferred tax liability is made up as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	1,619	1,402
Short term timing differences	(21)	(18)
	<hr/>	<hr/>
At 31 December 2016	1,598	1,384
	<hr/>	<hr/>

## 18 Share capital

	Allotted, called up and fully paid			2015 £'000
	2016 Number	2016 £'000	2015 Number	
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (*continued*)

## 19 Leases

### *Finance lease - lessee*

The company leases plant and machinery (net carrying value £382,478 - (2015 - £478,507) and assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments £'000	Interest £'000	Present value £'000
<b>2016</b>			
Not later than one year	83	11	72
Between one year and five years	332	23	309
Later than five years	7	-	7
	422	34	388
Current liabilities			72
Non-current liabilities			316
<b>2015</b>			
Not later than one year	83	14	69
Between one year and five years	332	31	301
Later than five years	90	3	87
	505	48	457
Current liabilities			69
Non-current liabilities			388

## 20 Operating lease commitments

	Land and buildings 2016 £'000	Other 2016 £'000	Land and Buildings 2015 £'000	Other 2015 £'000
Total future payments are due as follows:				
Not later than one year	405	41	405	5
Later than one year and not later than five years	55	29	460	60
	460	70	865	65

# Northwood & Wepa Limited

Notes forming part of the financial statements  
For the year ended 31 December 2016 (continued)

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## 21 Capital commitments

The company had capital commitments not provided for at 31 December 2016 of £4.3m (2015 - £Nil).

## 22 Controlling parties and related party transactions

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

Included within note 14 is an amount of £1.2m (2015 - £1.8m) owed to Wepa Hygieneprodukte and an amount of £0.7m (2015 - £1.1m) owed to PL Supplies Limited. In addition, there is an amount of £0.49m (2015 - £0.73m) owed to (The Trustees of the) Northwood Paper Sales Limited Pension Scheme.

Included in other receivables is an amount due from NW Property LLP of £Nil (2015 - £0.6m) in respect of a loan and interest. Included within prepayments is an amount of £0.38m (2015 - £0.38m) in respect of advance rent paid to NW Property LLP. During the year NW Property LLP charged the company £0.38m (2015 - £0.38m) 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 £0.3m (2015 - £1.3m) owed to Northwood Paper Sales Limited which relates to purchases made during the year. A further £2.5m is included within trade payables owed to Wepa France (2015 - £2.3m).

## 23 Comparative figures

£0.499m of costs in 2015 have been reclassified from finance costs to cost of sales to better reflect their nature. This is purely a reclassification with no impact upon operating profit.