

Company Registration No. 03123861 (England and Wales)

**ESSENTIAL SUPPLY PRODUCTS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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# ESSENTIAL SUPPLY PRODUCTS LTD

## COMPANY INFORMATION

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<b>Directors</b>	Mr C Theakston Mrs A Waterman Mr S P Briggs Mr M Kent
<b>Secretary</b>	Mr C Theakston
<b>Company number</b>	03123861
<b>Registered office</b>	No.4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH
<b>Auditor</b>	CK Audit No.4 Castle Court 2 Castlegate Way Dudley West Midlands DY1 4RH
<b>Business address</b>	Blackmore Park Hanley Swan Worcester WR8 0EF

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# ESSENTIAL SUPPLY PRODUCTS LTD

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# ESSENTIAL SUPPLY PRODUCTS LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2016**

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The directors present the strategic report for the year ended 31 March 2016.

### **Fair review of the business**

The principal activity of the Company is the manufacture and re - sale of disposable paper tissue and associated products. Sales activity is focused almost exclusively on the UK and Eire Away From Home markets i.e. business to business transactions through a network of established and independent wholesale customers servicing Janitorial, Catering Engineering and Medical markets, together with high profile resellers with Nationwide distribution capability.

The Directors consider that the key performance indicators which best demonstrate the financial performance and ongoing strength of the Company are turnover, profitability and a positive balance sheet performance.

The Financial year 2015/2016 has seen a continuing healthy growth in revenue consistent with a 3 year sales growth plan initiated in 2013. The Company has seen an £1.775m increase in sales from £18.616m to £20.391m due to a clearly defined market strategy based on a service, product quality and price focus.

Overall profit is £0.520m and profit before tax has increased to £0.631m. Year-end creditor days were 58 (2015: 54) debtor days 55 (2015: 58) and stock turnover 11 days (2015: 9 days)

The balance sheet demonstrates Improvement with an increase in net assets of 2.183 %, £4.021m in 2016 versus £3.935m in 2015. Shareholders' funds increased by 9.72 % from £2.264m in 2015 to £2.484m in 2016.


The management team monitor headline performance of sales and delivery on a daily basis.

Labour and distribution costs per unit of sale, purchasing costs and stock value are monitored and reviewed monthly by the Directors via formal and detailed monthly Profit and Loss analysis.

Sales growth during the year has been achieved organically in an extremely competitive market and the Directors are positive about continued growth, with an order placed to introduce additional manufacturing equipment to service the increasing volume demand planned for 2016/2017. The development of a new production and warehousing facility is now progressing on previously acquired Freehold located close to existing company property. With planning permission granted in January 2016 and detailed design work underway, completion and occupation is envisaged in autumn 2017. In order to facilitate this, the number of employees has increased across all functions in the business from 57 to 65 in the period 2015 to 2016.

The Directors constantly review business strategy across all areas of operation, assessing threats and uncertainties, particularly in the area of supply chain due to ongoing volatility in global markets and as a result of political uncertainty and act accordingly to minimise the impact on cost, quality and customer service.

On behalf of the board



Mrs A Waterman

**Director**

8 February 2017

# **ESSENTIAL SUPPLY PRODUCTS LTD**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 MARCH 2016***

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

### **Principal activities**

The principal activity of the Company is the manufacture and supply of disposable paper tissue products.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr C Theakston  
Mrs A Waterman  
Mr S P Briggs  
Mr M Kent

### **Results and dividends**

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £300,000. The directors do not recommend payment of a final dividend.

### **Auditor**

The directors recommend that CK Audit be reappointed as auditors of the company.

### **Statement of disclosure to auditor**

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

On behalf of the board



Mrs A Waterman  
**Director**  
8 February 2017

# **ESSENTIAL SUPPLY PRODUCTS LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2016***

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

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

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

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

# **ESSENTIAL SUPPLY PRODUCTS LTD**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ESSENTIAL SUPPLY PRODUCTS LTD**

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We have audited the financial statements of Essential Supply Products Ltd for the year ended 31 March 2016 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

# ESSENTIAL SUPPLY PRODUCTS LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF ESSENTIAL SUPPLY PRODUCTS LTD

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#### 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.

*CK Audit*  
**Wendy Davies (Senior Statutory Auditor)**  
for and on behalf of CK Audit

8 February 2017

**Chartered Accountants**  
**Statutory Auditor**

No.4 Castle Court 2  
Castlegate Way  
Dudley  
West Midlands  
DY1 4RH



# ESSENTIAL SUPPLY PRODUCTS LTD

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	3	20,391,552	18,616,041
Cost of sales		(14,898,387)	(13,760,250)
<b>Gross profit</b>		<b>5,493,165</b>	<b>4,855,791</b>
Distribution costs		(2,651,758)	(2,359,514)
Administrative expenses		(2,235,796)	(1,782,620)
Other operating income		143,159	1,866
<b>Operating profit</b>	<b>4</b>	<b>748,770</b>	<b>715,523</b>
Interest payable and similar charges	7	(117,867)	(101,530)
<b>Profit before taxation</b>		<b>630,903</b>	<b>613,993</b>
Taxation	8	(110,966)	(126,295)
<b>Profit for the financial year</b>		<b>519,937</b>	<b>487,698</b>

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

# **ESSENTIAL SUPPLY PRODUCTS LTD**

## **STATEMENT OF COMPREHENSIVE INCOME**

***FOR THE YEAR ENDED 31 MARCH 2016***

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	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Profit for the year</b>	<b>519,937</b>	<b>487,698</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>519,937</b>	<b>487,698</b>

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# ESSENTIAL SUPPLY PRODUCTS LTD

## BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Goodwill	10		2,578		-
Other intangible assets	10		6,135		9,336
Total intangible assets			8,713		9,336
Tangible assets	11		3,882,608		3,357,506
			3,891,321		3,366,842
<b>Current assets</b>					
Stocks	13	1,302,968		1,572,630	
Debtors	14	4,402,469		4,104,637	
Cash at bank and in hand		3,539		3,725	
		5,708,976		5,680,992	
<b>Creditors: amounts falling due within one year</b>	15	(5,578,598)		(5,112,846)	
<b>Net current assets</b>			130,378		568,146
<b>Total assets less current liabilities</b>			4,021,699		3,934,988
<b>Creditors: amounts falling due after more than one year</b>	16		(1,386,617)		(1,480,977)
<b>Provisions for liabilities</b>	19		(151,265)		(190,131)
<b>Net assets</b>			2,483,817		2,263,880
<b>Capital and reserves</b>					
Called up share capital	23	5,000		5,000	
Capital redemption reserve		5,000		5,000	
Profit and loss reserves		2,473,817		2,253,880	
<b>Total equity</b>			2,483,817		2,263,880

The financial statements were approved by the board of directors and authorised for issue on 8 February 2017 and are signed on its behalf by:



Mrs A Waterman  
Director

Company Registration No. 03123861

# ESSENTIAL SUPPLY PRODUCTS LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 April 2014</b>		5,000	5,000	1,836,182	1,846,182
<b>Year ended 31 March 2015:</b>					
Profit and total comprehensive income for the year		-	-	487,698	487,698
Dividends	9	-	-	(70,000)	(70,000)
<b>Balance at 31 March 2015</b>		5,000	5,000	2,253,880	2,263,880
<b>Year ended 31 March 2016:</b>					
Profit and total comprehensive income for the year		-	-	519,937	519,937
Dividends	9	-	-	(300,000)	(300,000)
<b>Balance at 31 March 2016</b>		5,000	5,000	2,473,817	2,483,817

# ESSENTIAL SUPPLY PRODUCTS LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	29	1,290,176		1,448,965	
Interest paid		(117,867)		(101,530)	
Income taxes paid		(6,751)		(194,841)	
<b>Net cash inflow from operating activities</b>		<b>1,165,558</b>		<b>1,152,594</b>	
<b>Investing activities</b>					
Purchase of intangible assets		(2,750)		-	
Purchase of tangible fixed assets		(597,389)		(1,246,469)	
Proceeds on disposal of tangible fixed assets		10,077		80	
<b>Net cash used in investing activities</b>		<b>(590,062)</b>		<b>(1,246,389)</b>	
<b>Financing activities</b>					
New bank loan		-		1,000,000	
Payment of finance leases obligations		(341,506)		(302,427)	
Dividends paid		(300,000)		(70,000)	
<b>Net cash (used in)/generated from financing activities</b>		<b>(641,506)</b>		<b>627,571</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(66,010)</b>		<b>533,776</b>	
Cash and cash equivalents at beginning of year		(547,483)		(1,081,259)	
<b>Cash and cash equivalents at end of year</b>		<b>(613,493)</b>		<b>(547,483)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		3,539		3,725	
Bank overdrafts included in creditors payable within one year		(617,032)		(551,208)	

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2016**

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### **1 Accounting policies**

#### **Company information**

Essential Supply Products Ltd is a private company limited by shares incorporated in England and Wales. The registered office is No.4 Castle Court 2, Castlegate Way, Dudley, West Midlands, DY1 4RH.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 March 2016 are the first financial statements of Essential Supply Products Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

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

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

#### **1.4 Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Trademarks	25% straight line
Other Intangibles	20% straight line

#### **1.5 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2016

#### 1 Accounting policies

(Continued)

Tangible fixed assets are stated at cost. Depreciation will be provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Nil
Land and buildings Leasehold	3 - 8 years
Plant and machinery	4 - 10 years
Fixtures, fittings & equipment	2 - 10 years
Motor vehicles	10%/25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 1 Accounting policies

(Continued)

#### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.



# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2016

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#### 1 Accounting policies

(Continued)

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.11 Taxation

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

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.13 Retirement benefits**

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

#### **1.14 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

#### **1.15 Government grants**

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

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

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 1 Accounting policies

(Continued)

#### 1.16 Foreign exchange

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

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Useful economic lives of non-current assets

The useful economic lives of non-current assets have been derived from the judgement of the Directors, using their best estimate of write-down period.

#### Key sources of estimation uncertainty

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

#### Stock

Inventories are valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
<b>Turnover</b>		
Paper products	20,391,552	18,616,041
	<u>          </u>	<u>          </u>
<b>Other significant revenue</b>		
Grants received	143,159	1,866
	<u>          </u>	<u>          </u>

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016 £	2015 £
UK	19,891,552	18,299,262
EU	500,000	303,458
Rest of the world	-	13,321
	<u>20,391,552</u>	<u>18,616,041</u>

### 4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(36,250)	(177,086)
Government grants	(143,159)	(1,866)
Fees payable to the company's auditor for the audit of the company's financial statements	7,250	6,250
Depreciation of owned tangible fixed assets	122,948	105,429
Depreciation of tangible fixed assets held under finance leases	205,160	211,618
Profit on disposal of tangible fixed assets	(10,077)	(80)
Amortisation of intangible assets	3,373	4,858
Cost of stocks recognised as an expense	14,898,387	13,760,250
Operating lease charges	<u>491,778</u>	<u>491,518</u>

### 5 Employees

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

	2016 Number	2015 Number
Administration Staff	16	15
Distribution Staff	13	10
Production Staff	30	27
Sales Staff	6	5
	<u>65</u>	<u>57</u>

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

<b>5</b>	<b>Employees</b>	<b>(Continued)</b>	
	Their aggregate remuneration comprised:		
		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	Wages and salaries	1,943,417	1,604,517
	Social security costs	217,876	179,047
	Pension costs	9,528	-
		<u>2,170,821</u>	<u>1,783,564</u>
<b>6</b>	<b>Directors' remuneration</b>		
		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	Remuneration for qualifying services	<u>502,895</u>	<u>443,744</u>
	Remuneration disclosed above include the following amounts paid to the highest paid director:		
	Remuneration for qualifying services	<u>149,363</u>	<u>147,078</u>
<b>7</b>	<b>Interest payable and similar charges</b>		
		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	<b>Interest on financial liabilities measured at amortised cost:</b>		
	Interest on bank overdrafts and loans	57,150	58,655
	Interest on finance leases and hire purchase contracts	54,743	43,011
		<u>111,893</u>	<u>101,666</u>
	<b>Other finance costs:</b>		
	Other interest	5,974	(136)
		<u>117,867</u>	<u>101,530</u>
<b>8</b>	<b>Taxation</b>		
		<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	137,917	59,573
	Adjustments in respect of prior periods	11,915	(41,463)
	Total current tax	<u>149,832</u>	<u>18,110</u>

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 8 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	(38,866)	108,185
	<u>          </u>	<u>          </u>
Total tax charge	110,966	126,295
	<u>          </u>	<u>          </u>

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

	2016 £	2015 £
Profit before taxation	630,903	613,993
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	126,181	122,799
Tax effect of expenses that are not deductible in determining taxable profit	14,558	8,996
Tax effect of income not taxable in determining taxable profit	(30,707)	(16)
Permanent capital allowances in excess of depreciation	934	3,884
Land remediation capital expenditure	-	(9,368)
	<u>          </u>	<u>          </u>
Taxation for the year	110,966	126,295
	<u>          </u>	<u>          </u>

### 9 Dividends

	2016 £	2015 £
Interim paid	300,000	70,000
	<u>          </u>	<u>          </u>

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2016

#### 10 Intangible fixed assets

	Trademarks	Other intangibles	Total
	£	£	£
<b>Cost</b>			
At 1 April 2015	9,520	16,004	25,524
Additions - separately acquired	2,750	-	2,750
	<u>12,270</u>	<u>16,004</u>	<u>28,274</u>
At 31 March 2016	12,270	16,004	28,274
<b>Amortisation and impairment</b>			
At 1 April 2015	9,520	6,668	16,188
Amortisation charged for the year	172	3,201	3,373
	<u>9,692</u>	<u>9,869</u>	<u>19,561</u>
At 31 March 2016	9,692	9,869	19,561
<b>Carrying amount</b>			
At 31 March 2016	2,578	6,135	8,713
	<u>-</u>	<u>9,336</u>	<u>9,336</u>
At 31 March 2015	-	9,336	9,336

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 11 Tangible fixed assets

	Land and buildings Freehold	Land and buildings Leasehold	Plant and machinery	Fixtures, Motor vehicles fittings & equipment	Total
Cost	£	£	£	£	£
At 1 April 2015	1,742,066	78,493	2,708,886	371,529	5,072,047
Additions	526,408	-	36,833	54,523	853,209
At 31 March 2016	2,268,474	78,493	2,745,719	426,052	5,925,256
<b>Depreciation and impairment</b>					
At 1 April 2015	-	78,493	1,205,998	275,184	1,714,540
Depreciation charged in the year	-	-	260,019	53,273	328,108
At 31 March 2016	-	78,493	1,466,017	328,457	2,042,648
<b>Carrying amount</b>					
At 31 March 2016	2,268,474	-	1,279,702	97,595	3,882,608
At 31 March 2015	1,742,066	-	1,502,887	96,345	3,357,506



# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Plant and machinery	1,288,915	1,366,670
Depreciation charge for the year in respect of leased assets	205,160	211,618

### 12 Financial instruments

	2016 £	2015 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	4,089,596	3,855,593
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	6,486,988	6,279,108

### 13 Stocks

	2016 £	2015 £
Raw materials and consumables	747,063	443,252
Finished goods and goods for resale	555,905	1,129,378
	1,302,968	1,572,630

### 14 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,878,344	3,601,630
Unpaid share capital	2	2
Corporation tax recoverable	79,425	114,813
Other debtors	211,250	253,961
Prepayments and accrued income	233,448	134,231
	4,402,469	4,104,637

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 15 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	17	617,032	551,208
Obligations under finance leases	18	318,568	328,830
Other borrowings	17	12,599	12,599
Trade creditors		3,817,612	3,687,617
Corporation tax		167,266	59,573
Other taxation and social security		310,961	236,206
Other creditors		169,805	116,393
Accruals and deferred income		164,755	120,420
		<u>5,578,598</u>	<u>5,112,846</u>

### 16 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	17	1,000,000	1,000,000
Obligations under finance leases	18	386,617	462,041
Government grants	21	-	18,936
		<u>1,386,617</u>	<u>1,480,977</u>

### 17 Loans and overdrafts

	2016 £	2015 £
Bank loans	1,000,000	1,000,000
Bank overdrafts	617,032	551,208
Other loans	12,599	12,599
	<u>1,629,631</u>	<u>1,563,807</u>
Payable within one year	629,631	563,807
Payable after one year	<u>1,000,000</u>	<u>1,000,000</u>

The bank loan is secured against the freehold property and property owned by C Theakston.

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 18 Finance lease obligations

	2016 £	2015 £
Future minimum lease payments due under finance leases:		
Within one year	318,568	328,830
In two to five years	386,617	462,041
	<u>705,185</u>	<u>790,871</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 19 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	20	151,265	190,131
		<u>151,265</u>	<u>190,131</u>

### 20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
<b>Balances:</b>		
Accelerated capital allowances	151,265	190,131
	<u>151,265</u>	<u>190,131</u>
<b>Movements in the year:</b>		2016 £
Liability at 1 April 2015		190,131
Credit to profit or loss		(38,866)
		<u>151,265</u>
Liability at 31 March 2016		<u>151,265</u>

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 21 Government grants

	2016 £	2015 £
Arising from government grants	-	18,936
	-	18,936

Deferred income is included in the financial statements as follows:

	2016 £	2015 £
Non-current liabilities	-	18,936
	-	18,936

### 22 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	9,528	-

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

### 23 Share capital

	2016 £	2015 £
Ordinary share capital		
Authorised		
5,000 Ordinary shares of £1 each	5,000	5,000
Issued and fully paid		
5,000 Ordinary shares of £1 each	5,000	5,000

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

### 24 Operating lease commitments

#### Lessee

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

	2016 £	2015 £
Within one year	14,789	78,048
Between two and five years	324,062	37,975
	<u>338,851</u>	<u>116,023</u>

### 25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
Acquisition of property, plant and equipment	13,622,000	-
	<u>13,622,000</u>	<u>-</u>

In November 2015 the company entered into a contract to purchase a tissue converting machine for a total sum of £1,580,000. At the year end the machine had still not been delivered and all that had been paid in respect of the balance was a 10% deposit of £158,000, which is included within prepayments.

The amount committed to be spent on the new building at 31 March 2016 was £12,200,000.

### 26 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>502,895</u>	<u>443,744</u>

One of the directors is a partner in Essential Supply Products. During the year rent of £298,305 (2015 - £298,305) was paid to the partnership. An amount of £62,375 (2015 - £62,375) is included in prepayments at the year end in relation to rent paid in advance. The net amount due from Essential Supply Products was £317,700 (2015 - £243,854).

One of the directors is a director and shareholder of ESP Power Limited. At the year end ESP Power Limited owed the company £30,450 (2015: £nil) and this is shown in other debtors.

# ESSENTIAL SUPPLY PRODUCTS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

### 27 Directors' transactions

Interest free loans have been granted by the company to its directors as follows:

Dividends totalling £300,000 (2015 - £70,000) were paid in the year in respect of shares held by the company's directors.

Description	% Rate	Opening balance £	Amounts advanced £	Closing balance £
Interest free loan	-	248,326	69,374	317,700
		<u>248,326</u>	<u>69,374</u>	<u>317,700</u>

### 28 Controlling party

The ultimate controlling party is C Theakston as sole shareholder.

### 29 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	519,937	487,698
<b>Adjustments for:</b>		
Taxation charged	110,966	126,295
Finance costs	117,867	101,530
Gain on disposal of tangible fixed assets	(10,077)	(80)
Amortisation and impairment of intangible assets	3,373	4,858
Depreciation and impairment of tangible fixed assets	328,108	317,047
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	269,662	(296,169)
(Increase) in debtors	(333,220)	(572,108)
Increase in creditors	302,497	1,260,960
(Decrease)/increase in deferred income	(18,936)	18,936
<b>Cash generated from operations</b>	<u>1,290,176</u>	<u>1,448,965</u>