

Northwood & Wepa Limited

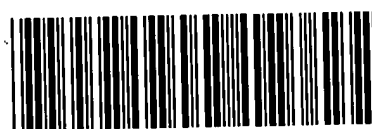
Report and Financial Statements

Year ended

31 December 2017

Company Number 08347876

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Northwood & Wepa Limited

Report and financial statements for the year ended 31 December 2017

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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
M O Krengel
W L Hirner
M D Fecher
R G Mcgraa
H Otto
D P Entwistle

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 2017

Financial review

The Company's performance was strong in the year to 31 December 2017 against a backdrop of challenging market conditions. Our focus has continued to be a supplier of retail branded kitchen towel and bathroom tissue to the consumer market and on meeting customers' requirements through superior quality, service and product innovation whilst maintaining competitive pricing.

The continued weakening of Sterling against the Euro and steadily rising pulp prices have been in part offset by the Company's foreign exchange and commodity hedging policy, which has allowed the Company to sustain a healthy 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 significant level of new product development undertaken in the current year is further expected to strengthen performance in 2018.

The biggest threat to Company performance in 2018 is expected to be inflation driven by rising commodity prices. As such, the Company will invest for the future in 2018, 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 turnover, profit after tax and liquidity. These were as follows:

	31 December 2017 £'000	31 December 2016 £'000
Revenue	120,046	114,378
Profit after tax	9,350	12,670
Profit after tax %	8%	11%
Total assets	90,250	78,120
Current ratio	1.6	1.6
Gearing %	21%	18%

This strategic report was approved by the board on 4/1/18 and signed on its behalf by



M Docker
Director

Northwood & Wepa Limited

Directors' report for the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results

The results for the year are set out on page 7. A dividend of £2.5m was declared and paid in the year (2016 - £3.6m declared and 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 2017 (*continued*)

Directors

The directors of the Company during the year were:

M B Docker
A S Fecher
P Fecher
P E King
M J Redfern
D Reid (resigned 31 March 2017)
M O Krengel
W L Hirner
M D Fecher
R G Mcgraa
H Otto
D P Entwistle (appointed 24 April 2017)

Events after the reporting date

WEPA Hygieneprodukte GmbH has signed a contract to acquire all shares in Northwood & Wepa Limited. Subject to normal formalities associated with such transactions completion is planned for 5th July 2018.

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 auditor 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 4/7/18 and signed on its behalf by



M Docker
Director

Northwood & Wepa Limited

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

Opinion

We have audited the financial statements of Northwood & Wepa Limited ("the Company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Northwood & Wepa Limited

Independent auditor's report (*continued*)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Northwood & Wepa Limited

Independent auditor's report (*continued*)

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Stuart Wood (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Manchester
United Kingdom

Date 4 July 2018.

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 2017

	Note	2017 £'000	2016 £'000
Revenue	3	120,046	114,378
Cost of sales		(99,378)	(89,435)
Gross profit		20,668	24,943
Administrative expenses		(9,028)	(8,747)
Other operating income	4	631	295
Profit from operations	5	12,271	16,491
Finance income	7	9	21
Finance costs	8	(261)	(480)
Profit before taxation		12,019	16,032
Tax expense	9	(2,669)	(3,362)
Profit for the year		9,350	12,670
Total comprehensive income for the year		9,350	12,670

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 12 to 33 form part of these financial statements.

Northwood & Wepa Limited

Statement of financial position at 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10		57,970		47,280
Current assets					
Inventories	11	11,528		8,344	
Trade and other receivables	12	20,375		20,937	
Cash and cash equivalents	13	377		1,559	
Total current assets			32,280		30,840
Total assets			90,250		78,120
LIABILITIES					
Non-current liabilities					
Long term borrowings	15	12,669		8,766	
Deferred tax liabilities	17	2,144		1,598	
Finance leases	19	242		316	
Total non-current liabilities			15,055		10,680
Current liabilities					
Trade and other payables	14	18,171		16,278	
Short-term borrowings	15	1,235		1,212	
Financial liabilities	16	-		71	
Corporation tax payable		624		1,566	
Finance leases	19	74		72	
Total current liabilities			20,104		19,199
Total liabilities			35,159		29,879
EQUITY					
Share capital	18		1,000		1,000
Retained earnings			54,091		47,241
EQUITY ATTRIBUTABLE TO THE OWNERS			55,091		48,241
TOTAL EQUITY AND LIABILITIES			90,250		78,120

The financial statements on pages 7 to 33 were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:



M Docker
Director

4/7/18

The notes on pages 12 to 33 form part of these financial statements.

Northwood & Wepa Limited

Statement of cash flows for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the year	9,350	12,670
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4,065	3,978
Loss on disposal of fixed assets	479	4
Movement in tax value of financial asset/liability	-	663
Finance income	(9)	(21)
Finance expense	261	480
Tax expense	2,669	3,362
(Increase)/Decrease in inventories	(3,184)	1,533
(Decrease)/Increase in trade and other receivables	562	(597)
Increase/(Decrease) in trade and other payables	1,822	(2,000)
	<hr/>	<hr/>
Cash generated from operations	16,015	20,072
Finance expense paid	(261)	(268)
Income taxes paid	(3,065)	(3,152)
	<hr/>	<hr/>
Net cash generated from operating activities	12,689	16,652
	<hr/>	<hr/>
Cash flows from investing activities		
Sale of property, plant and equipment	29	2
Purchase of property, plant and equipment	(15,263)	(2,635)
Finance income received	9	21
	<hr/>	<hr/>
Net cash absorbed by investing activities	(15,225)	(2,612)
	<hr/>	<hr/>
Cash flows from financing activities		
Capital element of finance lease repaid	(72)	(69)
Dividend paid	(2,500)	(6,100)
Repayment of other loans	-	(14,663)
Proceeds from long term borrowings	3,926	7,500
	<hr/>	<hr/>
Net cash generated/(absorbed) by financing activities	1,354	(13,332)
	<hr/>	<hr/>
Net change in cash and cash equivalents	(1,182)	708
Cash and cash equivalents at start of year	1,559	851
	<hr/>	<hr/>
Cash and cash equivalents at end of year	377	1,559
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The notes on pages 12 to 33 form part of these financial statements.

Northwood & Wepa Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
31 December 2016	1,000	47,241	48,241
Comprehensive income for the year			
Profit for the year	-	9,350	9,350
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	9,350	9,350
Contributions by and distributions to owners			
Dividends	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(2,500)	(2,500)
	<hr/>	<hr/>	<hr/>
31 December 2017	1,000	54,091	55,091
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 33 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
31 December 2015	1,000	38,171	39,171
Comprehensive income for the year			
Profit for the year	-	12,670	12,670
Total comprehensive income for the year	-	12,670	12,670
Contributions by and distributions to owners			
Dividends	-	(3,600)	(3,600)
Total contributions by and distributions to owners	-	(3,600)	(3,600)
31 December 2016	1,000	47,241	48,241

The notes on pages 12 to 33 form part of these financial statements.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

1.1 Basis of preparation of financial statements

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 management to exercise judgment in applying the Company'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

There have been no new standards or amendments which have had a material effect on the accounts.

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

IFRS 9 Financial Instruments

The Company has identified that the adoption of IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018, will impact its financial statements in the following areas:

The Company will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This is likely to result in increased impairment provisions and will require greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Company must consider the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Under the existing incurred loss model, impairment losses have typically been between 0% and 0.15% of the gross carrying amount of receivables over the last 4 years, and at 31 December 2017 and 2016 amounted to £30,994 and £nil respectively (see note 12). Application of the new model to all trade and other receivables would not have a material impact on the income statement for the year ended 31 December 2017 under IFRS 9 compared to IAS 39.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies (*continued*)

IFRS 9 Financial Instruments (*continued*)

The Company is considering adopting the hedge accounting provisions in IFRS 9 where possible to enable it to apply hedge accounting to foreign exchange and commodity futures taken out that were not designated as qualifying hedge relationships under IAS 39. As this planned change in policy will, if implemented, be applied prospectively from 1 January 2018 there is no change to net assets as at 31 December 2017 or reported profit for the year then ended. However, cumulative gains and losses recognised in profit or loss in periods up to 31 December 2017 (and accumulated in retained earnings) would be transferred to other components of equity on 1 January 2018 ('Cash flow hedge reserve') to effect any new hedging relationships from that date.

IFRS 15 Revenue from Contracts with Customers

As a manufacturer, the Company earns the majority of its revenues from the sale of goods rather than services and manufactures those goods to specific orders. The Company recognises revenue at a point in time, typically on delivery of the goods to customers' premises or at the point of shipping.

Although the majority of the Company's contracts with customers are not considered to be complex, with revenue being fixed for a specific quantity of goods, this area will need to be investigated further and the Company has identified a number of contracts that may need to be accounted for differently. Specifically, there are a number of contracts in which customers are given volume rebates based on quantities purchased over an extended period of time. Under the Company's current policy, it makes its best estimate of any rebates it will have to give based on available information. Under IFRS 15, it will need to consider the impact of products sold by the balance sheet date attracting a full rebate except to the extent that it is highly probable the full rebate will not be earned.

IFRS 16 Leases

Adoption of IFRS 16 will result in the Company recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Company is not as advanced in its implementation of IFRS 16 as it is for IFRS 15, but the Board has decided it will apply the modified retrospective in IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. Operating lease commitments at 31 December 2017 of £129,000 are expected to increase to approximately £2.7m at 31 December 2018 and the effect of discounting those commitments to recognise right-of-use assets and lease liabilities at 1 January 2019 has still to be assessed. In addition, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which may result in a variation to the actual liability recognised.

Instead of recognising an operating expense for its operating lease payments, the Company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017

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.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

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.

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.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

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.

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.

Northwood & Wepa Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

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 statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Company 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.

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.

Northwood & Wepa Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

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.

	2017 £'000	2016 £'000
United Kingdom	120,043	113,386
Europe	3	992
	<hr/>	<hr/>
	120,046	114,378
	<hr/>	<hr/>

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

4 Other operating income

	2017 £'000	2016 £'000
Other operating income	631	295
	<hr/>	<hr/>

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 2017 (*continued*)

5 Profit from operations

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

	2017 £'000	2016 £'000
Depreciation - owned by the Company	4,065	3,978
Loss on disposal of fixed assets	479	-
Operating lease rentals	507	515
Auditors' remuneration:		
- audit services	21	24
- non audit services	15	15
Research and development costs	217	156
Foreign exchange gains	(2,655)	(1,483)
	<u> </u>	<u> </u>

6 Staff costs

	2017 £'000	2016 £'000
Staff costs were as follows:		
Wages and salaries	10,177	9,781
Social security costs	1,108	1,083
Other pension costs	1,226	1,216
	<u> </u>	<u> </u>
	12,511	12,080
	<u> </u>	<u> </u>

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

	2017 Number	2016 Number
Production	162	160
Maintenance	32	43
Administration	66	55
	<u> </u>	<u> </u>
Total	260	258
	<u> </u>	<u> </u>

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 2017 (*continued*)

6 Staff costs (*continued*)

	2017 £'000	2016 £'000
Directors' and key management personnel remuneration consist of:		
Emoluments	797	655
Contributions to personal pension schemes	111	46
	<hr/>	<hr/>
Total	908	701
	<hr/>	<hr/>
Remuneration in respect of the highest paid director:		
Emoluments	197	200
Contributions to personal pension schemes	22	14
	<hr/>	<hr/>
Total	219	214
	<hr/>	<hr/>

During the year retirement benefits were accruing to 8 directors (2016: 8) in respect of defined contribution pension schemes.

7 Finance income

	2017 £'000	2016 £'000
Other interest receivable	9	21
	<hr/>	<hr/>

8 Finance costs

	2017 £'000	2016 £'000
On bank loans and overdrafts	204	296
On related party loans	47	170
On finance leases	10	14
	<hr/>	<hr/>
Total	261	480
	<hr/>	<hr/>

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (*continued*)

9 Taxation on ordinary activities

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<i>Current tax</i>				
UK corporation tax	2,030		3,217	
Adjustment in respect of prior periods	93		(69)	
		2,123		3,148
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	546		290	
Effect of change in rate of deferred tax	-		(76)	
		546		214
Total tax charge		2,669		3,362

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:

	2017 £'000	2016 £'000
Profit before tax	12,019	16,032
Expected tax charges based on the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	2,313	3,206
Effects of:		
Expenses not deductible for tax purposes	4	8
Fixed asset differences	331	293
Adjustments in respect of previous periods	93	(69)
Adjustment to deferred tax rate	(72)	(76)
Total tax charge	2,669	3,362

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (*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 2017	31	57,534	2,432	1,277	61,274
Additions	-	1,182	193	13,888	15,263
Disposals	-	(1,477)	-	-	(1,477)
At 31 December 2017	31	57,239	2,625	15,165	75,060
<i>Accumulated depreciation</i>					
At 1 January 2017	15	12,977	1,002	-	13,994
Depreciation charge	5	3,793	267	-	4,065
Disposals	-	(969)	-	-	(969)
At 31 December 2017	20	15,801	1,269	-	17,090
<i>Net book value</i>					
At 31 December 2017	11	41,438	1,356	15,165	57,970
At 31 December 2016	16	44,557	1,430	1,277	47,280
	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)	-
At 31 December 2016	31	57,534	2,432	1,277	61,274
<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)
At 31 December 2016	15	12,977	1,002	-	13,994
<i>Net book value</i>					
At 31 December 2016	16	44,557	1,430	1,277	47,280
At 31 December 2015	21	45,461	1,666	1,482	48,630

Northwood & Wepa Limited

Notes forming part of the financial statements For the year ended 31 December 2017 (continued)

11 Inventories

	2017 £'000	2016 £'000
Raw materials	3,360	1,611
Work in progress	2,367	977
Production supplies	4,483	4,338
Finished goods and goods for resale	1,318	1,418
	<u>11,528</u>	<u>8,344</u>

An impairment loss of £282,316 (2016 - £229,754) 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 £68,333,643 (2016 - £58,299,197).

12 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	18,261	19,497
Other receivables	1,415	279
Prepayments	699	1,161
	<u>20,375</u>	<u>20,937</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 2017 is £30,994 (2016 - £Nil). All trade receivables in the current and prior year are due within 3 months.

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	18,261
Euro	-
Total	<u>18,261</u>

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 2017 (*continued*)

13 Cash and cash equivalents	2017	2016
	£'000	£'000
Cash at bank and in hand	377	1,559
	<hr/>	<hr/>
14 Trade and other payables - current	2017	2016
	£'000	£'000
Trade payables	9,479	9,002
Other payables	668	267
Accruals and deferred income	6,875	5,229
	<hr/>	<hr/>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	17,022	14,498
	<hr/>	<hr/>
Other tax and social security taxes	1,149	1,780
	<hr/>	<hr/>
Total trade and other payables	18,171	16,278
	<hr/>	<hr/>

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:

	2017	2016
	£'000	£'000
Up to 3 months	17,022	14,498
	<hr/>	<hr/>

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (*continued*)

15 Loans and borrowings

	2017 £'000	2016 £'000
Bank loans (secured)	12,669	7,540
Related party loans (secured)	1,235	2,438
Total	13,904	9,978

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:

	2017 £'000	2016 £'000
In less than one year	1,235	1,212
In more than one year but not more than two years	12,669	-
In more than two years but not more than five years	-	8,766
	13,904	9,978

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 2017 (*continued*)

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 Company's funding requirements were negotiated at incorporation and are deemed to be commercially acceptable to the Board of the Company.

Foreign currency risk

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

The Company is exposed to US Dollar and Euro rate fluctuations for most of its input costs. The Company does operate a hedging policy of buying forward, which the company has benefitted from since the Brexit referendum. However, the Company is expecting this impact to be negated in 2018.

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 2017 (*continued*)

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.

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (*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:

2017

	Note	Loans and receivables £'000	Amortised cost £'000	Non- Financial Instruments £'000	Total £'000
Assets					
Non-current assets	10	-	-	57,970	57,970
Trade and other receivables:					
Trade receivables	12	18,261	-	-	18,261
Other non-derivative financial assets	11,12	1,415	-	12,227	13,642
Cash and cash equivalents	13	377	-	-	377
Total assets		20,053	-	70,197	90,250
Liabilities					
Borrowings:					
Current	15	-	(1,235)	-	(1,235)
Non-current	15	-	(12,669)	-	(12,669)
Deferred tax liabilities	17	-	-	(2,144)	(2,144)
Trade and other payables:					
Trade payables	14	-	(9,479)	-	(9,479)
Other non-derivative financial liabilities	14,19	-	(7,859)	-	(7,859)
Non-financial instruments	14	-	-	(1,773)	(1,773)
Total liabilities		-	(31,242)	(3,917)	(35,159)
Net assets		20,053	(31,242)	66,280	55,091

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (*continued*)

16 Financial instruments (*continued*)

2016						
	Note	Loans and receivables £'000	Amortised cost £'000	FVTPL £'000	Non- Financial Instruments £'000	Total £'000
Assets						
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	279	-	-	9,505	9,784
Cash and cash equivalents	13	1,559	-	-	-	1,559
		<u>21,335</u>	<u>-</u>	<u>-</u>	<u>56,785</u>	<u>78,120</u>
Total assets						
		<u>21,335</u>	<u>-</u>	<u>-</u>	<u>56,785</u>	<u>78,120</u>
Liabilities						
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	14,19	-	(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>
Total liabilities						
		<u>-</u>	<u>(24,864)</u>	<u>(71)</u>	<u>(4,944)</u>	<u>(29,879)</u>
Net assets		22,496	(24,864)	(71)	50,680	48,241
		<u>22,496</u>	<u>(24,864)</u>	<u>(71)</u>	<u>50,680</u>	<u>48,241</u>

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 2017 (*continued*)

17 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2016: 20%).

The movement on net deferred tax is as shown below:

	2017 £'000	2016 £'000
At start of year	1,598	1,384
Charge to income statement - other temporary differences	546	214
	<hr/>	<hr/>
At 31 December	2,144	1,598
	<hr/>	<hr/>

The deferred tax liability is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	2,161	1,619
Short term timing differences	(17)	(21)
	<hr/>	<hr/>
At 31 December	2,144	1,598
	<hr/>	<hr/>

18 Share capital

	Allotted, called up and fully paid			
	2017 Number	2017 £'000	2016 Number	2016 £'000
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 2017 (*continued*)

19 Leases

Finance lease - lessee

The Company leases plant and machinery (net carrying value £315,895 (2016 - £382,478) 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 Company 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
2017			
Not later than one year	83	(9)	74
Between one year and five years	256	(14)	242
Later than five years	-	-	-
	<u>339</u>	<u>(23)</u>	<u>316</u>
Current liabilities			74
Non-current liabilities			242
			<u>316</u>
2016			
Not later than one year	83	(11)	72
Between one year and five years	332	(23)	309
Later than five years	7	-	7
	<u>422</u>	<u>(34)</u>	<u>388</u>
Current liabilities			72
Non-current liabilities			316
			<u>388</u>

Northwood & Wepa Limited

Notes forming part of the financial statements
For the year ended 31 December 2017 (continued)

20 Operating lease commitments

	Land and buildings 2017 £'000	Other 2017 £'000	Land and Buildings 2016 £'000	Other 2016 £'000
Total future payments are due as follows:				
Not later than one year	30	36	405	41
Later than one year and not later than five years	25	38	55	29
	<u>55</u>	<u>74</u>	<u>460</u>	<u>70</u>

21 Capital commitments

The Company had capital commitments not provided for at 31 December 2017 of £3.2m (2016 - £4.3m).

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 £0.62m (2016 - £1.2m) owed to Wepa Hygieneprodukte and an amount of £0.37m (2016 - £0.7m) owed to PL Supplies Limited. In addition, there is an amount of £0.25m (2016 - £0.49m) 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 £0.07m (2016 - £Nil) in respect of a loan and interest. Included within prepayments is an amount of £Nil (2016 - £0.38m) in respect of advance rent paid to NW Property LLP. During the year NW Property LLP charged the Company £0.38m (2016 - £0.38m) in respect of rent. Management charges of £0.07m (2016 - £0.07m) per month have been charged by related parties and included within trade payables and accruals is an amount of £0.65m (2016 - £0.3m) owed to Northwood Paper Sales Limited which relates to purchases made during the year. A further £3.32m owed to Wepa France (2016 - £2.5m) and £0.03m owed to Wepa Industrie Holding SE (2016 - £Nil) is included within trade payables.

23 Notes supporting the statement of cash flows

Analysis of net debt

	2016 £'000	Cash flows £'000	Non-current liabilities becoming current liabilities £'000	2017 £'000
Long term borrowings	8,766	5,138	(1,235)	12,669
Short term borrowings	1,212	(1,212)	1,235	1,235
Lease liabilities – short term	72	(72)	74	74
Lease liabilities – long term	316	-	(74)	242
	<u>10,366</u>	<u>3,854</u>	<u>-</u>	<u>14,220</u>
Total liabilities from financing activities	10,366	3,854	-	14,220

Northwood & Wepa Limited

**Notes forming part of the financial statements
For the year ended 31 December 2017 (*continued*)**

23 Events after the reporting date

WEPA Hygieneprodukte GmbH has signed a contract to acquire all shares in Northwood & Wepa Limited. Subject to normal formalities associated with such transactions completion is planned for 5th July 2018.