

Company Registration No. 10071438 (England and Wales)

STAR TISSUE HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

STAR TISSUE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Abid Ditta Khalid Saifullah Sajid Saifullah	(Appointed 20 November 2017)
Company number	10071438	
Registered office	Unit K Princess Street Star Industrial Estate Blackburn Lancashire BB2 2QR	
Auditor	Pierce C A Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY	
Business address	Unit K Princess Street Star Industrial Estate Blackburn Lancashire BB2 2QR	
Bankers	HSBC Bank plc 60 Church Street Blackburn Lancashire BB1 5AS	

STAR TISSUE HOLDINGS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Statement of comprehensive income	7
Group balance sheet	8
Company balance sheet	9
Group statement of changes in equity	10
Company statement of changes in equity	11
Group statement of cash flows	12
Notes to the financial statements	13 - 27

STAR TISSUE HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present the strategic report for the year ended 30 September 2018.

Fair review of the business

We are pleased that our growth plan is on course with the group achieving turnover of £24.4 million (18 month period ended 30 September 2017 - £28.6 million), a significant pro-rata increase from the previous period. This year our focus was to increase productivity and efficiencies by investing in people and processes. We have successfully implemented a new ERP system and have made further investments in our production lines. We have started the implementation of our new 5 year plan (2018 to 2023) which has already helped increase our market share and profitability. We have also implemented major improvements to our production lines to raise our production capacity to meet rising customer demand.

Business environment

The directors have assessed the important risks faced by the group including risks associated with Brexit. The directors plan to continue with the management policies which have led to the satisfactory results and the risks will be mitigated through the creation of good trading relationships, maintaining and enhancing product quality, continuous improvement philosophy and targeted marketing activities.

The tissue paper industry has been impacted by rising prices in energy, raw materials, fuel and currency volatility. We expect raw material prices to stabilise in 2019. We have built strong trading relationships locally and globally with suppliers to ensure we are flexible and well placed to react to changes in the environment or industry. The directors plan to continue building trading relationships with a view to the long term sustainable growth of the business.

The group is expanding its market share in the U.K. and Europe by selling a wide range of high quality products manufactured to suit the requirements of the diverse customer base. This year we have maintained our sales in Ireland and have also enjoyed healthy sales growth in the U.K. The group continues to enjoy increased demand for its products and will continue to invest in its products, plant, people and processes to maximise profitability.

Strategic management

In the coming year we will continue with our capital investment plan to further increase our warehouse and production capacity. The group has developed a strong relationship with its finance providers which has resulted in a generous working capital facility agreed at competitive borrowing rates to help fund continued growth. The group has continued to recruit the best people that are able to grow and develop in a fast-moving business where productivity and innovation drives improvements throughout the business.

Key performance indicators

The directors continue to measure the performance of the group by reference to the turnover growth and overall gross and net profitability of its subsidiary which are monitored on a monthly basis. We are pleased to report that the subsidiary's turnover has increased in line with expectations together with increases in both gross and net profitability.

On behalf of the board

Khalid Saifullah

Director

19 December 2018

STAR TISSUE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their annual report and financial statements for the year ended 30 September 2018.

Principal activities

The principal activity of the company is that of a parent company coordinating the activities of the group, whose trading subsidiary's principal activity is that of the manufacture and distribution of quality hygiene paper products.

Directors

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

Abid Ditta
Khalid Saifullah
Sajid Saifullah

(Appointed 20 November 2017)

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £267,500. The directors do not recommend payment of a further dividend.

Auditor

The auditor, Pierce C.A. Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company 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 auditor of the company is aware of that information.

STAR TISSUE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

On behalf of the board

Khalid Saifullah

Director

19 December 2018

STAR TISSUE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STAR TISSUE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Star Tissue Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 group's or the parent 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.

STAR TISSUE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF STAR TISSUE HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

STAR TISSUE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF STAR TISSUE HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Moulding (Senior Statutory Auditor)
for and on behalf of Pierce C.A. Limited

19 December 2018

Statutory Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

STAR TISSUE HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Year ended 30 September 2018 £	Period ended 30 September 2017 £
	Notes		
Turnover	3	24,410,220	28,597,374
Cost of sales		(19,504,292)	(23,627,675)
Gross profit		4,905,928	4,969,699
Administrative expenses		(2,299,663)	(3,183,960)
Other operating income		45,160	67,337
Exceptional item	4	-	2,310,092
Operating profit	5	2,651,425	4,163,168
Interest receivable and similar income	8	175	-
Interest payable and similar expenses	9	(43,130)	(76,001)
Profit before taxation		2,608,470	4,087,167
Tax on profit	10	(457,685)	(343,431)
Profit for the financial year		2,150,785	3,743,736

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company,

STAR TISSUE HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Goodwill	12		36,588		48,792
Tangible assets	13		3,821,895		3,550,543
			<u>3,858,483</u>		<u>3,599,335</u>
Current assets					
Stocks	17	1,818,586		1,343,197	
Debtors	18	5,221,963		3,651,979	
Cash at bank and in hand		1,549,992		725,358	
		<u>8,590,541</u>		<u>5,720,534</u>	
Creditors: amounts falling due within one year	19	(6,025,082)		(4,696,005)	
Net current assets			<u>2,565,459</u>		<u>1,024,529</u>
Total assets less current liabilities			6,423,942		4,623,864
Creditors: amounts falling due after more than one year	20		(1,313,349)		(1,420,308)
Provisions for liabilities	23		(198,472)		(174,720)
Net assets			<u>4,912,121</u>		<u>3,028,836</u>
Capital and reserves					
Called up share capital	26		90		90
Capital redemption reserve			10		10
Profit and loss reserves			4,912,021		3,028,736
Total equity			<u>4,912,121</u>		<u>3,028,836</u>

The financial statements were approved by the board of directors and authorised for issue on 19 December 2018 and are signed on its behalf by:

Khalid Saifullah
Director

STAR TISSUE HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Investments	14		100		100
Current assets					
Debtors	18	300,000		115,000	
Cash at bank and in hand		445,156		-	
		<u>745,156</u>		<u>115,000</u>	
Creditors: amounts falling due within one year	19	<u>(270,350)</u>		<u>(115,000)</u>	
Net current assets			474,806		-
Total assets less current liabilities			<u>474,906</u>		<u>100</u>
Capital and reserves					
Called up share capital	26		90		90
Capital redemption reserve			10		10
Profit and loss reserves			474,806		-
Total equity			<u>474,906</u>		<u>100</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £742,306 (2017 - £715,000 profit).

The financial statements were approved by the board of directors and authorised for issue on 19 December 2018 and are signed on its behalf by:

Khalid Saifullah
Director

Company Registration No. 10071438

STAR TISSUE HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2016		1	-	-	1
Period ended 30 September 2017:					
Profit and total comprehensive income for the period		-	-	3,743,736	3,743,736
Issue of share capital		100	-	-	100
Dividends	11	-	-	(115,000)	(115,000)
Own shares acquired		-	-	(600,000)	(600,000)
Redemption of shares		(10)	10	-	-
Reduction of shares		(1)	-	-	(1)
Balance at 30 September 2017		90	10	3,028,736	3,028,836
Period ended 30 September 2018:					
Profit and total comprehensive income for the period		-	-	2,150,785	2,150,785
Dividends	11	-	-	(267,500)	(267,500)
Balance at 30 September 2018		90	10	4,912,021	4,912,121

STAR TISSUE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 April 2016		1	-	-	1
Period ended 30 September 2017:					
Profit and total comprehensive income for the period		-	-	715,000	715,000
Issue of share capital		100	-	-	100
Dividends	11	-	-	(115,000)	(115,000)
Own shares acquired		-	-	(600,000)	(600,000)
Redemption of shares		(10)	10	-	-
Reduction of shares		(1)	-	-	(1)
Balance at 30 September 2017		90	10	-	100
Period ended 30 September 2018:					
Profit and total comprehensive income for the period		-	-	742,306	742,306
Dividends	11	-	-	(267,500)	(267,500)
Balance at 30 September 2018		90	10	474,806	474,906

STAR TISSUE HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

		2018	2017
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	31	2,091,017	1,924,775
Interest paid		(43,130)	(76,001)
Income taxes paid		(257,478)	(629,374)
Net cash inflow from operating activities		1,790,409	1,219,400
Investing activities			
Cash acquired in business combination		-	407,859
Purchase of tangible fixed assets		(435,878)	(116,747)
Proceeds on disposal of tangible fixed assets		66,187	74,678
Interest received		175	-
Net cash (used in)/generated from investing activities		(369,516)	365,790
Financing activities			
Purchase of own shares		-	(600,000)
Repayment of borrowings		(24,909)	(37,550)
Payment of finance leases obligations		(290,777)	(562,034)
Dividends paid to equity shareholders		(267,500)	(115,000)
Net cash used in financing activities		(583,186)	(1,314,584)
Net increase in cash and cash equivalents		837,707	270,606
Cash and cash equivalents at beginning of year		270,606	-
Cash and cash equivalents at end of year		1,108,313	270,606
Relating to:			
Cash at bank and in hand		1,549,992	725,358
Bank overdrafts included in creditors payable within one year		(441,679)	(454,752)

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

Company information

Star Tissue Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Unit K, Princess Street, Star Industrial Estate, Blackburn, Lancashire, BB2 2QR.

The group consists of Star Tissue Holdings Limited and all of its subsidiaries.

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.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess or deficit of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill or negative goodwill respectively. The acquired negative goodwill arising on consolidation has been written off in full in the period of acquisition. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Star Tissue Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 September 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company and group have 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.

1.4 Reporting period

The company extended its first reporting period to an eighteen month period of account ending on 30 September 2017 so as to be coterminous thereafter with the financial year-end of its wholly owned subsidiary, Star Tissue UK Limited.

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.5 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.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 15 years.

1.7 Tangible fixed assets

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

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

Freehold land and buildings	2% straight line
Plant and equipment	7.5% straight line
Fixtures and fittings	15% 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 recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.9 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.10 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.

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

1.11 Cash at bank and in hand

Cash at bank and in hand 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.

1.12 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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.

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

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 group after deducting all of its liabilities.

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

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.

1.13 Equity instruments

Equity instruments issued by the group 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 group.

1.14 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

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

1.15 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.

1.16 Retirement benefits

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

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.17 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.

1.18 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.

Grants received are amortised on a straight line basis at 7.5% per annum in line with the depreciation policy on the plant and machinery assets to which they relate.

1.19 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 group'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.

3 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by class of business		
Manufacture and supply of quality hygiene paper products	24,410,220	28,597,374

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

3	Turnover and other revenue	(Continued)	
		2018	2017
		£	£
	Other significant revenue		
	Interest income	175	-
	Grants received	35,560	53,337
		<u> </u>	<u> </u>
		2018	2017
		£	£
	Turnover analysed by geographical market		
	United Kingdom	23,663,060	26,809,300
	Europe	747,160	1,788,074
		<u> </u>	<u> </u>
		24,410,220	28,597,374
		<u> </u>	<u> </u>
4	Exceptional costs/(income)	2018	2017
		£	£
	Negative goodwill released to profit	-	(2,310,092)
		<u> </u>	<u> </u>
5	Operating profit	2018	2017
		£	£
	Operating profit for the period is stated after charging/(crediting):		
	Exchange (gains)/losses	(9,697)	28,569
	Government grants	(35,560)	(53,337)
	Depreciation of owned tangible fixed assets	119,294	189,078
	Depreciation of tangible fixed assets held under finance leases	171,336	260,954
	Loss on disposal of tangible fixed assets	44,040	12,543
	Amortisation of intangible assets	12,204	(2,291,786)
	Cost of stocks recognised as an expense	18,076,733	21,863,289
	Operating lease charges	75,941	82,500
		<u> </u>	<u> </u>
6	Auditor's remuneration	2018	2017
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	2,500	2,500
	Audit of the financial statements of the company's subsidiaries	5,500	7,500
		<u> </u>	<u> </u>
		8,000	10,000
		<u> </u>	<u> </u>

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

7 Employees

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

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Administration	3	3	3	2
Production, sales and marketing	91	83	-	-
	<u>94</u>	<u>86</u>	<u>3</u>	<u>2</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	1,701,267	2,111,718	-	-
Social security costs	119,104	141,164	-	-
Pension costs	17,902	260,134	-	-
	<u>1,838,273</u>	<u>2,513,016</u>	<u>-</u>	<u>-</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	175	-
	<u>175</u>	<u>-</u>

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	43,130	76,001
	<u>43,130</u>	<u>76,001</u>

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	485,844	358,759
Adjustments in respect of prior periods	(51,911)	-
Total current tax	<u>433,933</u>	<u>358,759</u>

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	23,752	(15,328)
	<u> </u>	<u> </u>
Total tax charge for the period	457,685	343,431
	<u> </u>	<u> </u>

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

	2018 £	2017 £
Profit before taxation	2,608,470	4,087,167
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.66%)	495,609	803,537
Tax effect of expenses that are not deductible in determining taxable profit	325	3,161
Tax effect of income not taxable in determining taxable profit	-	(454,164)
Unutilised tax losses carried forward	1,462	-
Adjustments in respect of prior years	(51,911)	-
Depreciation on assets not qualifying for tax allowances	5,919	5,919
Amortisation on assets not qualifying for tax allowances	2,319	2,319
Other non-reversing timing differences	3,962	(17,341)
	<u> </u>	<u> </u>
Taxation charge for the period	457,685	343,431
	<u> </u>	<u> </u>

11 Dividends

	2018 £	2017 £
Interim paid	267,500	115,000
	<u> </u>	<u> </u>

12 Intangible fixed assets

Group	Goodwill £	Negative goodwill £	Total £
Cost			
At 1 October 2017 and 30 September 2018	67,098	(2,310,092)	(2,242,994)
	<u> </u>	<u> </u>	<u> </u>
Amortisation and impairment			
At 1 October 2017	18,306	(2,310,092)	(2,291,786)
Amortisation charged for the year	12,204	-	12,204
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2018	30,510	(2,310,092)	(2,279,582)
	<u> </u>	<u> </u>	<u> </u>

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

12 Intangible fixed assets (Continued)

Carrying amount

At 30 September 2018	36,588	-	36,588
At 30 September 2017	48,792	-	48,792

The company had no intangible fixed assets at 30 September 2018 or 30 September 2017.

13 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 October 2017	1,556,672	2,225,343	194,139	3,976,154
Additions	27,775	610,386	34,048	672,209
Disposals	-	(170,698)	-	(170,698)
At 30 September 2018	1,584,447	2,665,031	228,187	4,477,665
Depreciation and impairment				
At 1 October 2017	48,584	311,478	65,549	425,611
Depreciation charged in the year	32,450	223,317	34,863	290,630
Eliminated in respect of disposals	-	(60,471)	-	(60,471)
At 30 September 2018	81,034	474,324	100,412	655,770
Carrying amount				
At 30 September 2018	1,503,413	2,190,707	127,775	3,821,895
At 30 September 2017	1,508,088	1,913,865	128,590	3,550,543

The company had no tangible fixed assets at 30 September 2018 or 30 September 2017.

The carrying value of land and buildings comprises:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Freehold	1,503,413	1,508,088	-	-

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

13 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.

	Group 2018 £	2017 £	Company 2018 £	2017 £
Plant and equipment	1,645,763	1,700,022	-	-
Depreciation charge for the year in respect of leased assets	171,336	260,954	-	-

14 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	15	-	-	100	100

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 October 2017 and 30 September 2018	100
Carrying amount	
At 30 September 2018	100
At 30 September 2017	100

15 Subsidiaries

Details of the company's subsidiaries at 30 September 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Star Tissue UK Limited	Unit K Princess Street, Star Industrial Estate, Blackburn BB2 2QR	Manufacture and supply of quality hygiene paper products	Ordinary	100.00

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

16 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,986,684	3,563,927	300,000	115,000
Carrying amount of financial liabilities				
Measured at amortised cost	6,035,182	5,178,123	270,350	115,000

17 Stocks

	Group 2018 £	2017 £	Company 2018 £	2017 £
Raw materials and consumables	1,818,586	1,343,197	-	-

18 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	4,926,301	3,563,927	-	-
Amounts owed by group undertakings	-	-	300,000	115,000
Other debtors	60,383	-	-	-
Prepayments and accrued income	235,279	88,052	-	-
	5,221,963	3,651,979	300,000	115,000

19 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	21	466,653	481,907	-	-
Obligations under finance leases	22	225,797	231,572	-	-
Trade creditors		3,842,499	2,954,503	2,850	-
Corporation tax payable		185,844	309,389	-	-
Other taxation and social security		551,013	326,849	-	-
Other creditors		272,500	119,294	267,500	115,000
Accruals and deferred income		180,776	272,491	-	-
		6,025,082	4,696,005	270,350	115,000

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

20 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	21	602,215	624,943	-	-
Obligations under finance leases	22	444,742	493,413	-	-
Government grants	24	266,392	301,952	-	-
		<u>1,313,349</u>	<u>1,420,308</u>	<u>-</u>	<u>-</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	488,072	517,723	-	-
	<u>488,072</u>	<u>517,723</u>	<u>-</u>	<u>-</u>

21 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans	627,189	652,098	-	-
Bank overdrafts	441,679	454,752	-	-
	<u>1,068,868</u>	<u>1,106,850</u>	<u>-</u>	<u>-</u>
Payable within one year	466,653	481,907	-	-
Payable after one year	602,215	624,943	-	-
	<u>1,068,868</u>	<u>1,106,850</u>	<u>-</u>	<u>-</u>

Amounts included above which fall due after five years:

Payable by instalments	488,072	517,723	-	-
	<u>488,072</u>	<u>517,723</u>	<u>-</u>	<u>-</u>

The group's bankers, HSBC Bank plc, hold as security fixed and floating charges over all of the group's property and other assets, together with a cross guarantee over all group borrowings.

The group also operates an invoice discounting facility with HSBC Invoice Finance (UK) Limited whereby working capital is provided to the subsidiary company under an agreement to purchase this company's eligible debts, against which fixed and floating charges have been granted over the subsidiary company's assets.

The group bank loan borrowings carry interest payable at a rate of 3.1% over the bank's base rate.

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

22 Finance lease obligations

	Group 2018 £	2017 £	Company 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Within one year	225,797	231,572	-	-
In two to five years	444,742	493,413	-	-
	<u>670,539</u>	<u>724,985</u>	<u>-</u>	<u>-</u>

Obligations under finance lease and hire purchase agreements are secured by fixed charges on the assets concerned.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	198,472	174,720

The company has no deferred tax assets or liabilities.

	Group 2018 £	Company 2018 £
Movements in the year:		
Liability at 1 October 2017	174,720	-
Charge to profit or loss	23,752	-
Liability at 30 September 2018	<u>198,472</u>	<u>-</u>

24 Government grants

Grants have been made available under the Regional Growth Fund to facilitate the acquisition of items of plant and machinery.

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

25 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	17,902	260,134

Defined contribution pension schemes are operated for all qualifying employees. The assets of these schemes are held separately from those of the group in independently administered funds.

26 Share capital

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
40 Ordinary 'A' shares of £1 each	40	40
25 Ordinary 'B' shares of £1 each	25	25
25 Ordinary 'C' shares of £1 each	25	25
	90	90

27 Operating lease commitments

Lessee

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Within one year	-	51,875	-	-
Between two and five years	896,673	229,111	-	-
	896,673	280,986	-	-

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Acquisition of tangible fixed assets	9,448	-	-	-

STAR TISSUE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

29 Directors' transactions

Included within other creditors are interest free loans advanced to the group by the directors. At the financial year-end the amounts owed by the group to the directors were £267,500 (2017 - £80,000).

30 Controlling party

The company is ultimately controlled by the directors by virtue of their shareholdings in the company.

31 Cash generated from group operations

	2018 £	2017 £
Profit for the year after tax	2,150,785	3,743,736
Adjustments for:		
Taxation charged	457,685	343,431
Finance costs	43,130	76,001
Investment income	(175)	-
Loss on disposal of tangible fixed assets	44,040	12,543
Amortisation and impairment of intangible assets	12,204	(2,291,786)
Depreciation and impairment of tangible fixed assets	290,630	450,032
(Decrease) in provisions	-	(355,289)
Movements in working capital:		
(Increase) in stocks	(475,389)	(287,055)
(Increase) in debtors	(1,569,984)	(690,311)
Increase in creditors	1,173,651	621,521
(Decrease)/increase in deferred income	(35,560)	301,952
Cash generated from operations	2,091,017	1,924,775

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.