
NORTHWOOD TISSUE (DISLEY) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

NORTHWOOD TISSUE (DISLEY) LIMITED

COMPANY INFORMATION

DIRECTORS

P Fecher
A Fecher
P King
M D Fecher
A Lewis (resigned 31 January 2017)
S Williamson (resigned 13 October 2017)
D Harries (appointed 1 March 2017)
C Davies (appointed 25 January 2018)

COMPANY SECRETARY

P King

REGISTERED NUMBER

07022309

REGISTERED OFFICE

Waterside
Disley
Stockport
Cheshire
SK12 2HW

INDEPENDENT AUDITOR

Crossley Financial Accounting Limited
Chartered Accountants & Statutory Auditors
Star House
Star Hill
Rochester
Kent
ME1 1UX

NORTHWOOD TISSUE (DISLEY) LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

INTRODUCTION

During the year under review, the company's principal trading activity has continued to be the manufacture of paper tissue and towel parent reels. The company is part of a group of associated companies linked by a common ownership that forms an integrated supply chain from procurement of raw materials through to conversion of parent reels and transport on its own logistic fleet. The company continued its investment programme during the year and it is anticipated that these will lead to operational productivity improvements. The business has continued to focus on the challenges of improving energy and production efficiencies and maximising production yields.

BUSINESS REVIEW

The impact of Brexit in mid-2016 continued to be felt into 2017 through cost inflation on raw material prices, with recycled paper increasing by 12% during the year. The reported gross profit percentage has reduced from 28.2% in 2016 to 25.7% in 2017. Reported turnover in 2017 was up 6.3% and reflects increased selling prices and growth in the downstream converting businesses. Supply of parent reels to associated companies increased to 88% of production volume in the year from 81% in 2016. The reported operating profit of £560k in 2017 compares with the prior year operating profit of £333k.

The recruitment of a new Operations Director in January 2017 resulted in a strategic review of the Disley assets and subsequent approval of a £1.5m capital expenditure programme to streamline paper-making processes, deliver yield improvements and lower energy consumption. This was scheduled for Q2 2018, with the benefits coming through in H2 2018. Initial performance metrics are encouraging.

PRINCIPAL RISKS AND UNCERTAINTIES

The company does not operate in a high risk environment and the nature of the vertically integrated supply chain that the company works within, along with related companies who are either suppliers or customers, ensures that there is not an over reliance on any specific external supplier or customer. The nature of commercial markets means that the business continually focuses on the credit management controls required to minimise the risk of bad debts and to ensure the smooth flow of product. The company continues to comply with all relevant environmental and industry legislation and this is facilitated through continued membership of the CPI. The company has been accredited with the Ecolabel standard meaning that Ecolabel certified products can be manufactured at the company's related converting plants using base sheet supplied by the business.

NORTHWOOD TISSUE (DISLEY) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL KEY PERFORMANCE INDICATORS

The company does not operate in a high risk environment and the nature of the vertically integrated supply chain that the company works within, along with related companies who are either suppliers or customers, ensures that there is not an over reliance on any specific external supplier or customer. The nature of commercial markets means that the business continually focuses on the credit management controls required to minimise the risk of bad debts and to ensure the smooth flow of product. The company continues to comply with all relevant environmental and industry legislation and this is facilitated through continued membership of the CPI. The company has been accredited with the Ecolabel standard meaning that Ecolabel certified products can be manufactured at the company's related converting plants using base sheet supplied by the business.

£m	2017	2016	2015
Turnover	£19.0	£17.9	£19.0
Growth	6.3%	-5.6%	0.2%
Gross Profit	£4.9	£5.0	£5.0
GP %	25.7%	28.2%	26.5%
Gross Profit Growth	-£0.2	£0.0	£0.3
Operating Profit	£0.6	£0.3	£0.7
OP %	2.9%	1.9%	3.8%
Operating Profit Growth	£0.2	-£0.4	-£0.4

This report was approved by the board on 4 September 2018 and signed on its behalf.

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P King

Secretary

NORTHWOOD TISSUE (DISLEY) 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £474,202 (2016 - £253,653).

The directors do not recommend a dividend.

DIRECTORS

The directors who served during the year were:

P Fecher
A Fecher
P King
M D Fecher
A Lewis (resigned 31 January 2017)
S Williamson (resigned 13 October 2017)
D Harries (appointed 1 March 2017)

NORTHWOOD TISSUE (DISLEY) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

FUTURE DEVELOPMENTS

Information on likely future developments in the business of the company has been included in the Strategic Report on page 1.

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITOR

Under section 487(2) of the Companies Act 2006, Crossley Financial Accounting Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 4 September 2018 and signed on its behalf.

.....
P King
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTHWOOD TISSUE (DISLEY) LIMITED

OPINION

We have audited the financial statements of Northwood Tissue (Disley) Limited (the 'Company') for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 Company's affairs as at 31 December 2017 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 United Kingdom, including the Financial Reporting Council'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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTHWOOD TISSUE (DISLEY) LIMITED (CONTINUED)

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.

OPINION 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 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' 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' Responsibilities Statement on page 3, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTHWOOD TISSUE (DISLEY) LIMITED (CONTINUED)

AUDITORS' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR 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.

Trevor Rose FCA, CTA (Senior Statutory Auditor)

for and on behalf of

Crossley Financial Accounting Limited

Chartered Accountants

Statutory Auditors

Star House

Star Hill

Rochester

Kent

ME1 1UX

4 September 2018

NORTHWOOD TISSUE (DISLEY) LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	19,049,474	17,922,377
Cost of sales		(14,158,130)	(12,876,934)
GROSS PROFIT		4,891,344	5,045,443
Selling and distribution expenses		(75,350)	(83,238)
Administrative expenses		(939,256)	(1,086,180)
Indirect production expenses		(3,316,380)	(3,542,880)
OPERATING PROFIT		560,358	333,145
Interest receivable and similar income	9	1,115	1,466
Interest payable and similar charges	10	(91,447)	(30,641)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		470,026	303,970
Taxation on profit/(loss) on ordinary activities	11	4,176	(50,317)
PROFIT FOR THE YEAR		474,202	253,653

The notes on pages 15 to 30 form part of these financial statements.

NORTHWOOD TISSUE (DISLEY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Profit for the year		<u>474,202</u>	<u>253,653</u>
OTHER COMPREHENSIVE INCOME			
Movement on deferred tax relating to revaluation of plant and machinery.		<u>117,694</u>	<u>90,898</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>117,694</u>	<u>90,898</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>591,896</u></u>	<u><u>344,551</u></u>

NORTHWOOD TISSUE (DISLEY) LIMITED
REGISTERED NUMBER: 07022309

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Tangible assets	12	6,634,241	6,681,175
		6,634,241	6,681,175
CURRENT ASSETS			
Stocks	13	942,777	855,467
Debtors: amounts falling due after more than one year	14	250,000	250,000
Debtors: amounts falling due within one year	14	9,146,094	9,562,374
Cash at bank and in hand	15	185,649	70,515
		10,524,520	10,738,356
Creditors: amounts falling due within one year	16	(5,353,409)	(5,908,846)
NET CURRENT ASSETS		5,171,111	4,829,510
TOTAL ASSETS LESS CURRENT LIABILITIES		11,805,352	11,510,685
Creditors: amounts falling due after more than one year	17	(3,442,450)	(3,595,381)
PROVISIONS FOR LIABILITIES			
Deferred tax	20	(775,694)	(919,792)
Other provisions	21	(250,010)	(250,210)
		(1,025,704)	(1,170,002)
NET ASSETS		7,337,198	6,745,302

NORTHWOOD TISSUE (DISLEY) LIMITED
REGISTERED NUMBER: 07022309

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
CAPITAL AND RESERVES			
Called up share capital	22	100	100
Share premium account		99,900	99,900
Non distributable reserves		2,751,256	2,979,297
Profit and loss account		4,485,942	3,666,005
		<u>7,337,198</u>	<u>6,745,302</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 September 2018.

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C Davies

Director

NORTHWOOD TISSUE (DISLEY) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Non distributable reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	100	99,900	2,979,297	3,666,005	6,745,302
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	474,202	474,202
Deferred tax movement	-	-	117,694	-	117,694
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	117,694	-	117,694
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	117,694	474,202	591,896
Transfer to/from profit and loss account	-	-	(345,735)	345,735	-
AT 31 DECEMBER 2017	100	99,900	2,751,256	4,485,942	7,337,198

NORTHWOOD TISSUE (DISLEY) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Non distributable reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	100	99,900	3,342,889	2,957,862	6,400,751
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	253,653	253,653
Deferred tax movement	-	-	90,898	-	90,898
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	90,898	-	90,898
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	90,898	253,653	344,551
Transfer to/from profit and loss account	-	-	(454,490)	454,490	-
AT 31 DECEMBER 2016	100	99,900	2,979,297	3,666,005	6,745,302

The notes on pages 15 to 30 form part of these financial statements.

NORTHWOOD TISSUE (DISLEY) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year	474,202	253,653
ADJUSTMENTS FOR:		
Depreciation of tangible assets	407,714	375,924
Loss on disposal of tangible assets	-	111,662
Interest paid	91,447	30,640
Interest received	(1,115)	(1,466)
Taxation charge	(4,175)	50,317
(Increase) in stocks	(87,311)	(100,674)
Decrease/(increase) in debtors	416,282	(5,164,636)
(Decrease)/increase in creditors	(696,031)	1,361,252
(Decrease) in provisions	(200)	(43,470)
Corporation tax (paid)	(40,251)	(31,357)
NET CASH GENERATED FROM OPERATING ACTIVITIES	560,562	(3,158,155)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(360,782)	(1,049,283)
Sale of tangible fixed assets	-	11,000
Interest received	1,115	1,466
NET CASH FROM INVESTING ACTIVITIES	(359,667)	(1,036,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
New secured loans	-	4,100,960
Repayment of loans	(20,054)	-
Other new loans	25,740	79,015
Interest paid	(91,447)	(30,640)
NET CASH USED IN FINANCING ACTIVITIES	(85,761)	4,149,335
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	115,134	(45,637)
Cash and cash equivalents at beginning of year	70,515	116,152
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	185,649	70,515
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	185,649	70,515
	185,649	70,515

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Northwood Tissue (Disley) Limited is a private company, limited by shares, domiciled in England and Wales. The registered number is 07022309, and the registered office is Waterside, Disley, Stockport, Cheshire, SK12 2HW.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant & machinery	-	25 years straight line
Motor vehicles	-	5 years straight line
Assets in the course of construction	-	nil

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.4 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.5 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. ACCOUNTING POLICIES (CONTINUED)

2.11 Invoice discounting

The company discounts its trade debts. The accounting policy is to include a gross asset for trade debtors due within one year and to record the returnable element of the proceeds under creditors due within one year. Discount fees are charged to the profit and loss account when payable. Bad debts are borne by the company and charged to the profit and loss account when reasonably foreseeable.

3.

JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments

Critical judgments, apart from those involving estimations that are applied in the preparation of the consolidated financial statements are discussed below;

Leases

Management exercises judgment in determining the classification of leases as finance or operating leases at the inception of the lease. Management considers the likelihood of exercising the break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the property, the lease is classified as a finance lease. All other leases are classified as operating leases.

Estimates

The key assumptions about the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below;

Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management judgment.

Impairment of assets

Where there are indicators of impairment, management performs an impairment test. Recoverable amounts for cash-generating units are the higher of fair value less costs of disposal, and value in use.

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. TURNOVER

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	19,049,474	17,922,377
	<u>19,049,474</u>	<u>17,922,377</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	407,716	375,921
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,000	13,000
Exchange differences	1,110	35,522
Other operating lease rentals	14,480	19,072
Defined contribution pension cost	<u>86,472</u>	<u>74,773</u>

6. AUDITOR'S REMUNERATION

	2017	2016
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	13,000	13,000
	<u>13,000</u>	<u>13,000</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	2,119,418	2,016,377
Social security costs	228,731	216,340
Cost of defined contribution scheme	86,471	42,153
	<u>2,434,620</u>	<u>2,274,870</u>

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

	2017	2016
	No.	No.
Direct staff	25	26
Indirect staff	25	26
Administration staff	6	7
Directors	6	6
	<u>62</u>	<u>65</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. DIRECTORS' REMUNERATION

	2017	2016
	£	£
Directors' emoluments	117,104	111,263
Company contributions to defined contribution pension schemes	6,228	-
	<u>123,332</u>	<u>111,263</u>

During the year retirement benefits were accruing to 1 director (2016 - NIL) in respect of defined contribution pension schemes.

9. INTEREST RECEIVABLE

	2017	2016
	£	£
Other interest receivable	1,115	1,466
	<u>1,115</u>	<u>1,466</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Bank interest payable	91,447	30,562
Other loan interest payable	-	79
	<u>91,447</u>	<u>30,641</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. TAXATION

	2017 £	2016 £
CORPORATION TAX		
Current tax on profits for the year	52,099	86,441
Adjustments in respect of previous periods	(29,873)	(48,912)
	<u>22,226</u>	<u>37,529</u>
TOTAL CURRENT TAX	<u>22,226</u>	<u>37,529</u>
DEFERRED TAX		
Origination and reversal of timing differences	(26,402)	12,788
TOTAL DEFERRED TAX	<u>(26,402)</u>	<u>12,788</u>
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	<u>(4,176)</u>	<u>50,317</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>470,026</u>	<u>303,971</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	90,479	60,794
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(1,978)	25,276
Capital allowances for year in excess of depreciation	6,938	371
Adjustments to tax charge in respect of prior periods	(29,873)	(48,912)
Other timing differences leading to an increase (decrease) as a result of deferred tax	(26,402)	12,788
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(43,325)	-
Other differences leading to an increase (decrease) in the tax charge	(15)	-
TOTAL TAX CHARGE FOR THE YEAR	<u>(4,176)</u>	<u>50,317</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. TANGIBLE FIXED ASSETS

	Plant & machinery £	Motor vehicles £	Assets in the course of construction £	Total £
COST OR VALUATION				
At 1 January 2017	7,607,522	23,415	-	7,630,937
Additions	116,138	-	244,644	360,782
At 31 December 2017	7,723,660	23,415	244,644	7,991,719
DEPRECIATION				
At 1 January 2017	945,079	4,683	-	949,762
Charge for the year on owned assets	403,033	4,683	-	407,716
At 31 December 2017	1,348,112	9,366	-	1,357,478
NET BOOK VALUE				
At 31 December 2017	<u>6,375,548</u>	<u>14,049</u>	<u>244,644</u>	<u>6,634,241</u>
<i>At 31 December 2016</i>	<u>6,662,443</u>	<u>18,732</u>	<u>-</u>	<u>6,681,175</u>

13. STOCKS

	2017 £	2016 £
Raw materials and consumables	677,624	570,211
Finished goods and goods for resale	265,153	285,256
	<u>942,777</u>	<u>855,467</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

14. DEBTORS

	2017 £	2016 £
DUE AFTER MORE THAN ONE YEAR		
Other debtors	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
 DUE WITHIN ONE YEAR		
Trade debtors	3,885,925	2,990,120
Other debtors	4,521,854	6,254,480
Prepayments and accrued income	738,315	317,776
	<u>9,146,094</u>	<u>9,562,376</u>

15. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	185,649	70,515
	<u>185,649</u>	<u>70,515</u>

16. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Bank loans	772,526	639,648
Other loans	157,445	131,705
Trade creditors	2,919,168	3,031,882
Corporation tax	5,059	23,083
Other taxation and social security	288,011	139,721
Other creditors	365,311	1,143,849
Accruals and deferred income	845,889	798,958
	<u>5,353,409</u>	<u>5,908,846</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. CREDITORS: Amounts falling due after more than one year

	2017 £	2016 £
Bank loans	3,442,450	3,595,381
	<u>3,442,450</u>	<u>3,595,381</u>

Secured loans

As security for the Other loans £157,445 (2016 - £131,705) RBS Invoice Finance Limited hold a general debenture dated 15 September 2016 and an all asset debenture dated 6 July 2012 over the company.

A Chattel Mortgage dated 9 July 2012 over the company's plant and machinery is held by Lombard as security for the above bank loan £4,214,976 (2016 - £4,235,029). A general debenture dated 4 July 2012 is also held by Lombard over the above mentioned loan. The debenture is a fixed and floating charge over property and assets. The loan is repayable in monthly installments at a fixed rate of interest.

A general debenture dated 27 June 2012 is held by National Westminster Bank Plc. The debenture is a fixed and floating charge over property and assets.

A general debenture dated 8 January 2010 is held by Northwood Paper Sales Limited. The debenture is a fixed and floating charge over property and assets.

18. LOANS

Analysis of the maturity of loans is given below:

	2017 £	2016 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	772,526	639,648
Other loans	157,445	131,705
	<u>929,971</u>	<u>771,353</u>
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	2,994,217	639,648
	<u>2,994,217</u>	<u>639,648</u>
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	448,233	2,955,733
	<u>448,233</u>	<u>2,955,733</u>
TOTAL	<u><u>4,372,421</u></u>	<u><u>4,366,734</u></u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

19. FINANCIAL INSTRUMENTS

	2017 £	2016 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	185,649	70,515
Financial assets that are debt instruments measured at amortised cost	8,657,777	9,494,600
	<u>8,843,426</u>	<u>9,565,115</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(8,502,788)	(9,341,424)
	<u>(8,502,788)</u>	<u>(9,341,424)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and loans.

20. DEFERRED TAXATION

	2017 £
At beginning of year	919,790
Charged to the profit or loss	(144,096)
AT END OF YEAR	<u>775,694</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	201,369	174,966
Deferred tax liability on revaluation of plant and machinery	574,325	744,826
	<u>775,694</u>	<u>919,792</u>

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

21. PROVISIONS

	Dilapidation Provision £
At 1 January 2017	250,210
Utilised in year	(200)
AT 31 DECEMBER 2017	<u>250,010</u>

The above provision relates to dilapidation costs in respect of the properties leased.

22. SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

23. CAPITAL COMMITMENTS

At 31 December 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>992,000</u>	<u>43,150</u>
	<u>992,000</u>	<u>43,150</u>

24. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £86,472 (2016 - £74,773). Contributions totaling £14,472 (2016 - £12,848) were payable to the fund at the balance sheet date and are included in creditors.

NORTHWOOD TISSUE (DISLEY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

25. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Other		
Not later than 1 year	72,704	72,646
Later than 1 year and not later than 5 years	205,880	254,082
Later than 5 years	-	10,167
	<u>278,584</u>	<u>336,895</u>
	2017 £	2016 £
Land and buildings		
Not later than 1 year	250,000	250,000
Later than 1 year and not later than 5 years	500,000	750,000
	<u>750,000</u>	<u>1,000,000</u>

26. RELATED PARTY TRANSACTIONS

During the year under review, the following transactions took place with entities over which the entity has significant influence over;

Sales of goods and other recharges totalling £17,268,796 (2016 - £15,606,391);

The balance due at the year end is £3,629,379 (2016 - £2,609,521) and is included in trade debtors.

Costs of purchases and other recharges totalling £8,354,721 (2016 - £7,420,296);

The balance due at the year end is £2,070,396 (2016 - £1,429,189) and is included in trade creditors.

Rent of £250,000 (2016 - £187,500) was paid.

Loans of £1,000 (2016 - £5,969,186) were made;

Repayments of £1,450,000 (2016 - £419,993) were received;

Loans of £nil (2016 - £1,257,029) were received;

Repayments of £780,000 (2016 - £nil) were made;

As at 31 December 2017 £4,420,157 (2016 - £5,089,157) was due from the entities.

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the group was £123,331 (2016: £111,263).

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