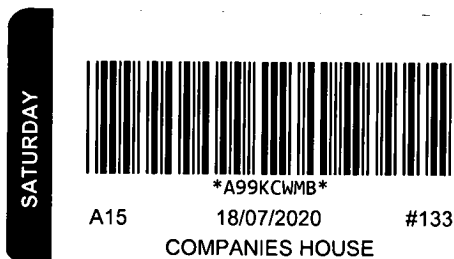


POTTS PRINT (UK) LIMITED
FINANCIAL STATEMENTS
31st DECEMBER 2019



BELL TINDLE WILLIAMSON LLP
Chartered Accountants & Statutory Auditor
The Old Post Office
63 Saville Street
North Shields
Tyne & Wear
NE30 1AY

POTTS PRINT (UK) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2019

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POTTS PRINT (UK) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M. J. Sandford-Couch

R. S. Johnson

M. W. Devine

J. G. Conway

D. V. Tobin

I. R. White

Mrs S. Tobin

Mrs C. V. Armstrong

B. Watson

I. J. Bensley

M. Johnson

Company secretary

Mrs S. Tobin

Registered office

Atlas House
Nelson Park
Cramlington
Northumberland
NE23 1WG

Auditor

Bell Tindle Williamson LLP
Chartered Accountants & Statutory Auditor
The Old Post Office
63 Saville Street
North Shields
Tyne & Wear
NE30 1AY

Bankers

Barclays Bank Plc
3 Northumberland Square
North Shields
Tyne & Wear
NE30 1QX

POTTS PRINT (UK) LIMITED
STRATEGIC REPORT
YEAR ENDED 31st DECEMBER 2019

The directors have pleasure in presenting their strategic report for the year.

FAIR REVIEW OF THE BUSINESS

Turnover during the year increased by £222,488 to £13,101,781.

Due to demand the mix of products and services provided by the company has changed which has resulted in a reduction to gross profit margin from 28.31% to 25.39%.

Cost cutting measures that were implemented at the beginning of the 2018 financial year have continued this year and as a result administrative costs have reduced by £115,069.

Profit before tax of £675,746 has been achieved compared to £865,496 in 2018.

Following a short curtailment in the company's policy of investment in new plant and machinery, several digital and large format machines were acquired in December 2019 as the company maintains its existing high standards of practice.

As a result of the Covid-19 pandemic the directors are expecting reduced levels of trade in 2020 and have planned accordingly to mitigate adverse effects on the company. These measures include making full use of the government furlough scheme, general reduction of employees working week, suspension of dividend payments and obtaining government backed loans to ensure there is sufficient cash to enable the company to continue to trade for the foreseeable future.

KEY PERFORMANCE INDICATORS

The directors consider that the key performance indicators are those that communicate the financial performance and strength of the company. The company's key performance indicators are:

Gross profit percentage	25.39%
Net profit margin	4.19%
Current ratio	1.38

GOING CONCERN

Having considered in particular, the risks that are being presented to the company by the Covid-19 pandemic, the directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis following due consideration of the company's current and expected future financial position.

POTTS PRINT (UK) LIMITED**STRATEGIC REPORT** *(continued)***YEAR ENDED 31st DECEMBER 2019****PRINCIPAL RISKS AND UNCERTAINTIES**

The directors have considered the company's principal risks and uncertainties and have adopted policies to minimise such risks. The risks identified are summarised as follows:

Covid-19

During an unprecedented period in the company's history, management have had to make enforced adjustments to the way that the company and its workforce operate. The situation is being closely monitored by management daily and as an extra precaution, a Coronavirus Business Interruption Loan has been secured through the company's bankers which will be utilised if management deem it necessary.

Loss of key customers

There are a number of significant customers whose sales greatly contribute to yearly turnover. In order to maintain and increase turnover levels the company needs to retain such customers. The company manages the risk of losing such customers by developing and maintaining strong relationships with them.

Loss of borrowing facilities

The company utilises a sales finance account offered by its bankers. To ensure this facility is not withdrawn, the company ensures that it meets the covenant conditions that are in place and also reports to the bank on a monthly basis. The company also has other borrowing facilities with its bankers. Repayment terms and covenants in place regarding such facilities are adhered to at all times.

Loss of appropriate trade terms

Directors and management regularly review the terms and the relationships with suppliers and customers. There are credit rating procedures in place to minimise the risk of bad debts and strict controls to ensure that debtors monies are recovered promptly. Negotiations regularly take place with suppliers to ensure that the most advantageous payment terms are agreed. Should such terms negatively alter then this could have a significant impact on short term cash flow. As a consequence the company prepares regular forecasts of cash flow and liquidity to monitor the situation.

This report was approved by the board of directors on 22nd June 2020 and signed on behalf of the board by:



M. J. SANDFORD-COUCH
Director

POTTS PRINT (UK) LIMITED

DIRECTORS' REPORT

YEAR ENDED 31st DECEMBER 2019

The directors present their report and the financial statements of the company for the year ended 31st December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was printing and packaging.

DIRECTORS

The directors who served the company during the year were as follows:

M. J. Sandford-Couch

R. S. Johnson

M. W. Devine

J. G. Conway

D. V. Tobin

I. R. White

Mrs S. Tobin

Mrs C. V. Armstrong

B. Watson

I. J. Bensley

M. Johnson

K. T. McHugh

(Appointed 17th May 2019)

(Resigned 18th March 2019)

DIVIDENDS

Particulars of recommended dividends are detailed in note 13 to the financial statements.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

The directors have conducted a review of the business and have considered the principal risks and uncertainties facing the company and have included this analysis in their strategic report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make 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.

POTTS PRINT (UK) LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st DECEMBER 2019

DIRECTORS' RESPONSIBILITIES STATEMENT *(continued)*

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

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 22nd June 2020 and signed on behalf of the board by:


.....
M. J. SANDFORD-COUCH
Director

POTTS PRINT (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POTTS PRINT
(UK) LIMITED
YEAR ENDED 31st DECEMBER 2019

OPINION

We have audited the financial statements of Potts Print (UK) Limited (the 'company') for the year ended 31st December 2019 which comprise the income statement, balance sheet, statement of changes in equity, statement of cash flows 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 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 company's affairs as at 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

POTTS PRINT (UK) LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POTTS PRINT
(UK) LIMITED** *(continued)***YEAR ENDED 31st DECEMBER 2019****OTHER INFORMATION**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and 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.

POTTS PRINT (UK) LIMITED**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POTTS PRINT
(UK) LIMITED** *(continued)***YEAR ENDED 31st DECEMBER 2019****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 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.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

POTTS PRINT (UK) LIMITED

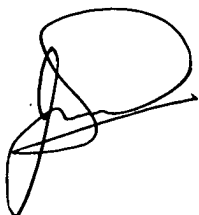
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POTTS PRINT
(UK) LIMITED *(continued)***

YEAR ENDED 31st DECEMBER 2019

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

A handwritten signature in black ink, appearing to be 'John Bell', written over a horizontal line.

John Bell BA FCA (Senior Statutory Auditor)

For and on behalf of
Bell Tindle Williamson LLP
Chartered Accountants & Statutory Auditor
The Old Post Office
63 Saville Street
North Shields
Tyne & Wear
NE30 1AY

22nd June 2020

POTTS PRINT (UK) LIMITED
INCOME STATEMENT
YEAR ENDED 31st DECEMBER 2019

	Note	2019 £	2018 £
TURNOVER	4	13,101,781	12,879,293
Cost of sales		<u>9,775,429</u>	<u>9,233,671</u>
GROSS PROFIT		3,326,352	3,645,622
Administrative expenses		<u>2,593,385</u>	2,708,454
Other operating income	5	<u>92,238</u>	<u>98,989</u>
OPERATING PROFIT	6	825,205	1,036,157
Other interest receivable and similar income	10	<u>6,559</u>	6,372
Interest payable and similar expenses	11	<u>156,018</u>	<u>177,033</u>
PROFIT BEFORE TAXATION		675,746	865,496
Taxation	12	<u>126,656</u>	169,648
PROFIT FOR THE FINANCIAL YEAR		<u>549,090</u>	<u>695,848</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

POTTS PRINT (UK) LIMITED


BALANCE SHEET

31st DECEMBER 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	14	–	18,090
Tangible assets	15	5,656,148	5,343,837
Investments	16	3	3
		<u>5,656,151</u>	<u>5,361,930</u>
CURRENT ASSETS			
Stock and work in progress	17	507,318	522,190
Debtors	18	2,865,221	2,121,473
Cash at bank and in hand		896,982	1,227,912
		<u>4,269,521</u>	<u>3,871,575</u>
CREDITORS: amounts falling due within one year	20	<u>3,084,605</u>	<u>2,908,750</u>
NET CURRENT ASSETS		<u>1,184,916</u>	<u>962,825</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,841,067</u>	<u>6,324,755</u>
CREDITORS: amounts falling due after more than one year	21	2,065,084	1,660,806
PROVISIONS			
Taxation including deferred tax	23	301,572	338,628
NET ASSETS		<u>4,474,411</u>	<u>4,325,321</u>
CAPITAL AND RESERVES			
Called up share capital	27	1,316	1,316
Profit and loss account	28	4,473,095	4,324,005
SHAREHOLDERS FUNDS		<u>4,474,411</u>	<u>4,325,321</u>

These financial statements were approved by the board of directors and authorised for issue on 22nd June 2020, and are signed on behalf of the board by:


 M. J. SANDFORD-COUCH
 Director


 R. S. JOHNSON
 Director

Company registration number: 00536326

The notes on pages 14 to 29 form part of these financial statements.

POTTS PRINT (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31st DECEMBER 2019

	Note	Called up share capital £	Profit and loss account £	Total £
AT 1st JANUARY 2018		1,316	4,028,157	4,029,473
Profit for the year		–	695,848	695,848
Dividends paid and payable	13	–	(400,000)	(400,000)
AT 31st DECEMBER 2018		<u><u>1,316</u></u>	<u><u>4,324,005</u></u>	<u><u>4,325,321</u></u>
 AT 1st JANUARY 2019		 1,316	 4,324,005	 4,325,321
Profit for the year		–	549,090	549,090
Dividends paid and payable	13	–	(400,000)	(400,000)
AT 31st DECEMBER 2019		<u><u>1,316</u></u>	<u><u>4,473,095</u></u>	<u><u>4,474,411</u></u>

The notes on pages 14 to 29 form part of these financial statements.

POTTS PRINT (UK) LIMITED**STATEMENT OF CASH FLOWS****YEAR ENDED 31st DECEMBER 2019**

	Note	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the financial year		549,090	695,848
<i>Adjustments for:</i>			
Depreciation of tangible assets		845,727	887,444
Amortisation of intangible assets		18,090	18,090
Other interest receivable and similar income		(6,559)	(6,372)
Interest payable and similar expenses		156,018	177,033
Gains on disposal of tangible assets		(2,362)	(13,476)
Taxation		126,656	169,648
Accrued expenses/(income)		39,779	(33,539)
<i>Changes in:</i>			
Stock and work in progress		14,872	109,761
Trade and other debtors		(743,748)	118,756
Trade and other creditors		(83,551)	(322,047)
Cash generated from operations		914,012	1,801,146
Interest paid		(156,018)	(177,033)
Interest received		6,559	6,372
Tax paid		(211,460)	(259,883)
Net cash from operating activities		<u>553,093</u>	<u>1,370,602</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(1,158,741)	(133,092)
Proceeds from sale of tangible assets		3,064	16,217
Net cash used in investing activities		<u>(1,155,677)</u>	<u>(116,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of finance lease liabilities		406,950	(603,870)
Dividends paid		(400,000)	(400,000)
Net cash from/(used in) financing activities		<u>6,950</u>	<u>(1,003,870)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(595,634)	249,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		991,647	741,790
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	<u>396,013</u>	<u>991,647</u>

The notes on pages 14 to 29 form part of these financial statements.

POTTS PRINT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 2019

1. COMPANY INFORMATION

Potts Print (UK) Limited is a limited company incorporated in England and Wales. The registered office is Atlas House, Nelson Park, Cramlington, Northumberland, NE23 1WG.

The principal activity of the company is printing and packaging.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 £.

Going concern

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

Judgements and key sources of estimation uncertainty

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

3. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

Tangible assets

Property, plant and equipment represent a significant proportion of the asset base of the company being 56.98% (2018: 57.87%) of the company's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the profit and loss account. The useful lives and residual values of the company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Historically changes in useful lives and residual values have not resulted in material changes to the company's depreciation charge.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax. Turnover is recognised at the point when goods are despatched.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible timing differences to the extent that it is probable that the taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

3. ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Operating leases

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Purchased Goodwill - 5 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

3. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 10% straight line
Improvements	
Plant and Machinery	- 15% & 25% reducing balance and 6.67% - 33.3% straight line
Fixtures and Fittings	- 6.67% - 20% straight line
Motor Vehicles	- 25% straight line
Printing Presses	- 12% reducing balance

Impairment of fixed assets

At each balance sheet date, the company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that any items of property, plant and equipment have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which comprise direct production costs, are based on the method most appropriate to the type of inventory class, but usually on a first-in-first-out basis. Overheads are charged to the profit and loss as incurred. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stock recognised as an expense in the period in which the reversal occurs.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate.

POTTS PRINT (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(continued)***YEAR ENDED 31st DECEMBER 2019****3. ACCOUNTING POLICIES** *(continued)***Finance leases and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum payments, which is determined at the inception of the lease or hire purchase term. Any initial direct costs of the lease or hire purchase contract are added to the amount recognised as an asset.

Payments are apportioned between the finance charges and reduction of the outstanding lease or hire purchase liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial assets, which include trade and other receivables 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.

Basic financial liabilities, which include trade and other payables and straightforward bank loans are initially measured at transaction price and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

3. ACCOUNTING POLICIES *(continued)*

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. The assets of the scheme are held separately from those of the company in an independent administered fund.

4. TURNOVER

Turnover arises from:

	2019	2018
	£	£
Sale of goods	<u>13,101,781</u>	<u>12,879,293</u>

The turnover and profit before tax are attributable to the principal activities of the company. During the year, exports accounted to 1.97% (2018 - 1.25%) of the company's turnover.

5. OTHER OPERATING INCOME

	2019	2018
	£	£
Rent receivable	6,250	3,500
Waste and scrap sales	85,911	90,592
Commission receivable	77	4,897
	<u>92,238</u>	<u>98,989</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Amortisation of intangible assets	18,090	18,090
Depreciation of tangible assets	845,727	887,444
Gains on disposal of tangible assets	(2,362)	(13,476)
Defined contribution pension plans	107,063	85,089
<i>Operating lease costs:</i>		
Motor vehicles	120,003	130,751
Property	<u>100,663</u>	<u>100,685</u>

7. AUDITOR'S REMUNERATION

	2019	2018
	£	£
Fees payable for the audit of the financial statements	<u>10,200</u>	<u>10,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	5,070	3,440
Other non-audit services	<u>11,710</u>	<u>8,275</u>
	<u>16,780</u>	<u>11,715</u>

8. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019	2018
	No.	No.
Production staff	79	83
Distribution staff	16	15
Administrative staff	7	7
Management staff	11	12
Sales staff	15	17
	<u>128</u>	<u>134</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	3,434,291	3,562,766
Social security costs	364,377	378,409
Other pension costs	107,063	85,089
	<u>3,905,731</u>	<u>4,026,264</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

9. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2019 £	2018 £
Remuneration	1,013,681	1,108,956
Company contributions to defined contribution pension plans	41,044	36,295
	<u>1,054,725</u>	<u>1,145,251</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019 No.	2018 No.
Defined contribution plans	<u>12</u>	<u>12</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019 £	2018 £
Aggregate remuneration	152,973	167,825
Company contributions to defined contribution pension plans	5,025	4,215
	<u>157,998</u>	<u>172,040</u>

10. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest on cash and cash equivalents	6,548	6,372
Corporation tax interest	11	—
	<u>6,559</u>	<u>6,372</u>

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £	2018 £
Bank derivative interest	38,647	41,468
Finance lease and hire purchase interest	91,590	101,190
Equipment loan interest	6,768	6,768
Invoice discount facility interest	19,013	27,607
	<u>156,018</u>	<u>177,033</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

12. TAXATION

Major components of tax expense

	2019 £	2018 £
<i>Current tax:</i>		
UK current tax expense	167,118	214,866
Adjustments in respect of prior periods	(3,406)	–
Total current tax	<u>163,712</u>	<u>214,866</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(37,056)	(45,218)
Taxation	<u>126,656</u>	<u>169,648</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	<u>675,746</u>	<u>865,496</u>
Profit on ordinary activities by rate of tax	128,392	164,444
Adjustment to tax charge in respect of prior periods	(3,406)	–
Effect of expenses not deductible for tax purposes	11,135	11,036
Effect of capital allowances and depreciation	87,172	90,667
Profit not chargeable for tax purposes	(449)	(2,560)
Origination and reversal of timing differences	(37,056)	(45,218)
Finance lease payments treated as operating lease payments	(59,132)	(48,721)
Taxation	<u>126,656</u>	<u>169,648</u>

13. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £	2018 £
Equity dividends on 'A' ordinary shares	350,000	300,000
Equity dividends on 'B' ordinary shares	50,000	100,000
	<u>400,000</u>	<u>400,000</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

14. INTANGIBLE ASSETS

	Goodwill £
Cost	
At 1st January 2019	90,450
Disposals	(90,450)
At 31st December 2019	<u>–</u>
Amortisation	
At 1st January 2019	72,360
Charge for the year	18,090
Disposals	(90,450)
At 31st December 2019	<u>–</u>
Carrying amount	
At 31st December 2019	<u>–</u>
At 31st December 2018	<u>18,090</u>

15. TANGIBLE ASSETS

	Long leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Printing presses £	Total £
Cost						
At 1 Jan 2019	1,806,882	5,290,128	237,232	40,176	3,821,724	11,196,142
Additions	660	1,120,835	37,246	–	–	1,158,741
Disposals	–	(939,703)	(169)	(29,990)	–	(969,861)
Transfers	(14,925)	14,925	–	–	–	–
At 31 Dec 2019	<u>1,792,617</u>	<u>5,486,185</u>	<u>274,309</u>	<u>10,186</u>	<u>3,821,724</u>	<u>11,385,021</u>
Depreciation						
At 1 Jan 2019	138,818	3,355,562	124,275	39,551	2,194,099	5,852,305
Charge for the year	16,595	618,108	15,084	625	195,315	845,727
Disposals	–	(939,000)	(169)	(29,990)	–	(969,159)
Transfers	(373)	373	–	–	–	–
At 31 Dec 2019	<u>155,040</u>	<u>3,035,043</u>	<u>139,190</u>	<u>10,186</u>	<u>2,389,414</u>	<u>5,728,873</u>
Carrying amount						
At 31 Dec 2019	<u>1,637,577</u>	<u>2,451,142</u>	<u>135,119</u>	<u>–</u>	<u>1,432,310</u>	<u>5,656,148</u>
At 31 Dec 2018	<u>1,668,064</u>	<u>1,934,566</u>	<u>112,957</u>	<u>625</u>	<u>1,627,625</u>	<u>5,343,837</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

15. TANGIBLE ASSETS *(continued)*

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase contracts:

	Plant and machinery £	Printing presses £	Total £
At 31st December 2019	<u>1,982,770</u>	<u>539,726</u>	<u>2,522,496</u>
At 31st December 2018	<u>1,375,011</u>	<u>870,991</u>	<u>2,246,002</u>

16. INVESTMENTS

	Shares in group undertakings £
Cost and carrying amount	
At 1st January 2019 and 31st December 2019	<u>3</u>

Shares in subsidiary companies

The company owns 100% of the issued share capital of the following two companies, who are all registered in England and Wales.

Potts Printers Limited is a dormant company and has never traded.

Digital XL Services Limited was acquired on 30th November 2014. At that date, the assets and liabilities of this company were subsumed into Potts Print (UK) Limited and Digital XL Services Limited became dormant.

17. STOCK AND WORK IN PROGRESS

	2019 £	2018 £
Stock	229,506	224,655
Work in progress	<u>277,812</u>	<u>297,535</u>
	<u>507,318</u>	<u>522,190</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

18. DEBTORS

	2019	2018
	£	£
Trade debtors	2,543,508	1,925,559
Prepayments and accrued income	117,586	188,781
Director's loan account	204,127	—
Other debtors	—	7,133
	<u>2,865,221</u>	<u>2,121,473</u>

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2019	2018
	£	£
Cash at bank and in hand	896,982	1,227,912
Bank invoice discount facility	(500,969)	(236,265)
	<u>396,013</u>	<u>991,647</u>

20. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Bank invoice discount facility	500,969	236,265
Trade creditors	1,376,859	1,360,972
Accruals and deferred income	207,610	167,831
Corporation tax	167,118	214,866
Social security and other taxes	211,672	220,161
Finance leases and hire purchase contracts	559,829	620,364
Derivative financial liability	53,882	48,291
Equipment mortgage	6,666	40,000
	<u>3,084,605</u>	<u>2,908,750</u>

Details regarding the security of these liabilities is as follows:

The bank invoice discount facility is secured by a charge over the company's trade debtors.

The bank derivative and other facilities are secured by a 1st charge over the company's long leasehold property and a standard bank debenture over the company's trade debtors and other assets.

The equipment mortgage is secured against the related fixed assets.

Finance leases and hire purchase contracts are secured against the related fixed assets.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

21. CREDITORS: amounts falling due after more than one year

	2019	2018
	£	£
Equipment mortgage	–	6,667
Finance leases and hire purchase contracts	1,331,443	863,959
Derivative financial liability	733,641	790,180
	<u>2,065,084</u>	<u>1,660,806</u>

Details regarding the security of these liabilities is as follows:

The bank derivative is secured by a 1st charge over the company's long leasehold property and a standard bank debenture over the company's trade debtors and other assets.

The equipment mortgage is secured against the related fixed assets.

Finance leases and hire purchase contracts are secured against the related fixed assets.

Included within creditors: amounts falling due after more than one year is an amount of £491,904 (2018: £596,824) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The above includes a bank loan which carries fixed interest at 5% and is also subject to an interest rate swap under the terms of the agreement and is repayable in monthly instalments over the term of the loan ending June 2031.

22. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2019	2018
	£	£
Not later than 1 year	559,829	620,364
Later than 1 year and not later than 5 years	1,331,443	855,853
Later than 5 years	–	8,106
	<u>1,891,272</u>	<u>1,484,323</u>

23. PROVISIONS

	Deferred tax (note 24)
	£
At 1st January 2019	338,628
Unused amounts reversed	(37,056)
At 31st December 2019	<u>301,572</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

24. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2019	2018
	£	£
Included in provisions (note 23)	<u>301,572</u>	<u>338,628</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	<u>301,572</u>	<u>338,628</u>

25. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £107,063 (2018: £85,089).

26. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

	2019	2018
	£	£
<i>Financial liabilities</i>		
Financial liabilities measured at fair value through profit or loss	<u>787,523</u>	<u>838,470</u>

27. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
'A' Ordinary shares of £1 each	1,002	1,002	1,002	1,002
'B' Ordinary shares of £1 each	314	314	314	314
	<u>1,316</u>	<u>1,316</u>	<u>1,316</u>	<u>1,316</u>

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

27. CALLED UP SHARE CAPITAL *(continued)*

Holders of 'A' and 'B' ordinary shares will be entitled to attend and speak at all general meetings of the company and in addition, shall be entitled to vote at any general meeting of the company.

Both classes of shares are entitled to participate in distributions made by the company.

The 'A' and 'B' shares will share in the growth of the business so that on sale, the 'A' shareholders will be entitled to the first £2,000,000 of any proceeds and any surplus over these proceeds will be split equally between the 'A' and 'B' shareholders.

28. RESERVES

The profit and loss account records retained earnings.

29. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2019 £	Cash flows £	At 31 Dec 2019 £
Cash at bank and in hand	1,227,912	(330,930)	896,982
Bank invoice discount facility	(236,265)	(264,704)	(500,969)
Debt due within one year	(620,364)	60,535	(559,829)
Debt due after one year	(863,959)	(467,484)	(1,331,443)
	<u>(492,676)</u>	<u>(1,002,583)</u>	<u>(1,495,259)</u>

30. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019 £	2018 £
Not later than 1 year	190,574	216,936
Later than 1 year and not later than 5 years	551,685	575,924
Later than 5 years	181,359	309,377
	<u>923,618</u>	<u>1,102,237</u>

31. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

On 29th April 2019 M. J. Sandford-Couch received a £250,000 loan from the company. This loan carried interest at an annual rate of 2.50%. £50,000 was repaid during the year and £204,127 remained outstanding at 31st December 2019.

POTTS PRINT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31st DECEMBER 2019

32. RELATED PARTY TRANSACTIONS

M. J. Sandford-Couch, a director of the company, and his wife collectively own the issued 'A' ordinary share capital of the company. During the year to 31 December 2019 dividends of £350,000 (2018 - £300,000) were declared and fully paid on the issued 'A' ordinary shares.

Seven other directors of the company collectively own the issued 'B' ordinary share capital of the company. During the year to 31 December 2019 dividends of £50,000 (2018 - £100,000) were declared and fully paid on the issued 'B' ordinary shares.

No other transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

33. ULTIMATE CONTROLLING PARTY

The company was under the control of M. J. Sandford-Couch throughout the current and previous year.