**Registered number: 02750238**

# Metamark (UK) Limited

## Annual Report and Financial Statements

## For the year ended 31 March 2018

| | |
|---|---|
| **Directors** | Mr P French<br>Mr I G Simister<br>Mr M J Enright |
| **Registered number** | 02750238 |
| **Registered office** | Luneside<br>New Quay Road<br>Lancaster<br>LA1 5QP |
| **Independent auditor** | CLB Coopers Audit Services<br>Fleet House<br>New Road<br>Lancaster<br>LA1 1EZ |
| **Solicitors** | DLA Piper UK LLP<br>1 St Peter's Square<br>Manchester<br>M2 3DE |
| **Website** | www.metamark.co.uk |

**Contents**

## Business review

The results of the company were in line with the director's expectations for the year. The growth in sales has been driven by a new marketing strategy as well as continued excellence in terms of customer service. The sales growth has been delivered through increased customer numbers and an increase in the average spend per customer, both of which are tracked with KPI's. We have also implemented a number of manufacturing initiatives and invested significantly to increase the gross profit margin from 46.9% to 48.3%.

There are no concerns as to the future prospects of the company as the organic growth within the industries served is anticipated to remain buoyant although we are mindful to some challenges certain sectors face and the possible impacts on the export market as the UK leaves the European Union in March 2019. The company will continue to invest in product and service to enable the company to continue to service its customers and offer the products in the premium way they have come to expect.

## Principal risks and uncertainties

The directors feel that there is very low risk or uncertainty associated with the business at this time due to the nature and diversity of the market which brings minimised risk sensitivity.

## Financial key performance indicators

The directors consider that the key financial performance indicators are those that communicate the financial controls and strength of the company as a whole, these being turnover, gross margin, working capital and return on capital employed.

## Future outlook

We continue to implement value enhancing projects which are designed to keep sales growing at the recent year on year levels, continue to enhance our gross margin and allow us to maximise the return on investments we have made over the past few years in terms of manufacturing assets.

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

**Mr P French**
Director

Date: 10 September 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

**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 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.

**Principal activity**

The principal activity of the company during the year was that of manufacturers and distributors of sign making materials.

**Results and dividends**

The profit for the year, after taxation, amounted to £1,098k (2017: £5,690k). The profit for the year, after tax, excluding exceptional items amounted to £6,965k (2017: £5,690k). Exceptional items relate to £5,133k of share options recognised as an expense and other costs of £734k relating to the purchase of the business by Magenta Prime Limited on 23rd May.

**Directors**

The directors who served during the year were:

Mr G M Bateson (resigned 23 May 2017)
Mr J M Stuart (resigned 23 May 2017)
Mr P French
Mr I G Simister (appointed 23 May 2017)
Mr M Enright (appointed 22 June 2017)

**Future developments**

Future developments are detailed in the strategic report.

**Financial instruments**

Details of the financial risk management objectives and policies are included in note 21 to the financial statements.

**Directors' insurance**

The company has maintained insurance on behalf of certain key directors and officials against liabilities arising in relation to the company.

**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.

**Auditor**

CLB Coopers Audit Services will be proposed for reappointment in accordance with section 487 (2) of the Companies Act 2006.

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

**Mr M Enright**
Director

Date: 10 September 2018

## Opinion

We have audited the financial statements of Metamark (UK) Ltd (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 March 2018, and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

**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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 set out on page 2, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members

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.

CLB Coopers Audit Services

**Philip Whiteway (Senior Statutory Auditor)**
**for and on behalf CLB Coopers Audit Services**

**Statutory Auditor**

Fleet House
New Road
Lancaster
Lancashire
LA1 1EZ

10 September 2018

| | Note | 2018 £'000 | 2017 £'000 |
|---|---|---|---|
| Turnover | 4 | 31,014 | 29,349 |
| Cost of sales | | (16,039) | (15,596) |
| **Gross profit** | | **14,975** | **13,753** |
| Distribution costs | | (3,288) | (3,349) |
| Administrative expenses | | (4,457) | (3,283) |
| Exceptional items | 5 | (5,867) | - |
| **Operating profit** | 5 | **1,363** | **7,121** |
| Interest receivable and similar income | 8 | 3 | 2 |
| Interest payable and similar charges | 9 | (2) | (9) |
| **Profit before tax** | | **1,364** | **7,114** |
| Tax on profit | 10 | (266) | (1,424) |
| **Profit for the financial year** | | **1,098** | **5,690** |

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income (including profit and loss account).

*There was no other comprehensive income for 2018 (2017: £Nil).*

The notes on pages 10 to 25 form part of these financial statements.

**Metamark (UK) Limited**
**Balance sheet**
**For the year ended 31 March 2018**

| | Note | | **2018 £'000** | | 2017 £'000 |
|---|---|---|---|---|---|
| Intangible assets | **12** | | 3 | | 3 |
| Tangible assets | **13** | | 2,726 | | 2,380 |
| Investments | **14** | | - | | - |
| | | | **2,729** | | **2,383** |
| **Current assets** | | | | | |
| Stocks | **15** | 3,497 | | 2,839 | |
| Debtors: amounts falling due within one year | **16** | 7,124 | | 6,823 | |
| Cash at bank and in hand | **17** | 5,068 | | 607 | |
| | | **15,689** | | 10,269 | |
| Creditors: amounts falling due within one year | **18** | **(5,448)** | | (6,120) | |
| **Net current assets** | | | 10,241 | | 4,149 |
| Total assets less current liabilities | | | **12,970** | | **6,532** |
| Creditors: amount falling due after one year | **19** | | (34) | | - |
| Deferred tax | **20** | | (227) | | (236) |
| **Net assets** | | | **12,709** | | **6,296** |
| **Capital and reserves** | | | | | |
| Called up share capital | **22** | | 6 | | 5 |
| Share premium account | | | 310 | | 129 |
| Capital redemption reserve | | | - | | 3 |
| Other reserves | **23** | | - | | 65 |
| Profit and loss account | | | 12,393 | | 6,094 |
| | | | **12,709** | | **6,296** |

Registered number: 02750238

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**Mr M Enright**
Director

Date: 10 September 2018

The notes on pages 10 to 25 form part of these financial statements.

**Metamark (UK) Limited**
**Statement of changes in equity**
**For the year ended 31 March 2018**

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Other reserves £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **At 1 April 2016** | **5** | **129** | **3** | **65** | **6,353** | **6,555** |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | **5,690** | **5,690** |
| **Total comprehensive income for the year** | - | - | - | - | **5,690** | **5,690** |
| Dividends: Equity capital | - | - | - | - | **(5,949)** | **(5,949)** |
| **Total shareholder transactions** | - | - | - | - | **(5,949)** | **(5,949)** |
| **At 1 April 2017** | **5** | **129** | **3** | **65** | **6,094** | **6,296** |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | - | - | - | - | **1,098** | **1,098** |
| Shares issued | **1** | **181** | - | - | - | **182** |
| Share options exercised | - | - | **(3)** | **5,136** | - | **5,133** |
| Reserves transferred | | | | **(5,201)** | **5,201** | - |
| **Total shareholder transactions** | **1** | **181** | **(3)** | **(65)** | **6,299** | **6,413** |
| **At 31 March 2018** | **6** | **310** | - | - | **12,393** | **12,709** |

## 1. General information

Metamark (UK) Limited is principally engaged as manufacturers and distributors of sign making materials trading from premises within Lancaster and Woking. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Luneside, New Quay Road, Lancaster, LA1 5QP.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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.

Consolidated financial statements have not been prepared on the basis that there is no statutory requirement as the subsidiary undertaking is immaterial.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Metamark (UK) Limited is a wholly owned subsidiary and the results of Metamark (UK) Limited are included in the consolidated financial statements of Metamark Group Holdings Limited which are available from New Quay Road, Lancaster, Lancashire, England, LA1 5QP.

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 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

**Sale of goods**

Turnover 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 turnover 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 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

### 2.4 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.

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 and machinery | - 10-12.5% straight line basis |
| Motor vehicles | - 25% straight line basis |
| Fixtures, fittings and equipment | - 20-33% straight line basis |
| Leasehold improvements | - over the length of the lease |

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 profit and loss account.

### 2.5 Leased assets: the company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

### 2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the profit and loss on a straight line basis over the lease term.

### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.8 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 balance sheet 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.

### 2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.12 Financial instruments

The company only enters into basic financial instruments 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 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 profit and loss account. Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

### 2.13 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 profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

### 2.14 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.17 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received.

### 2.18 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 profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

### 2.19 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

### 2.20 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 profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet 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 balance sheet.

### 2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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 balance sheet 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 balance sheet 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 balance sheet date.

### 2.22 Related party transactions

The company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company financial statements.

### 2.23 Exceptional items

Exceptional items are material and non-recurring items excluded from management's assessment of profit because by their nature they could distort the company's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 4. Turnover

The whole of the turnover is attributable to the one principal activity of the company.

Analysis of turnover by country of destination:

| | **2018** | 2017 |
|---|---|---|
| | **£'000** | £'000 |
| United Kingdom | **20,212** | 18,737 |
| Europe, Middle East and Africa | **8,557** | 8,228 |
| Asia Pacific | **1,556** | 1,584 |
| North and South America | **689** | 800 |
| | **31,014** | 29,349 |

## 5. *Operating profit*

The operating profit is stated after charging:

| | **2018** | 2017 |
|---|---|---|
| | **£'000** | £'000 |
| Depreciation of tangible fixed assets | **345** | 281 |
| Amortisation of intangible assets | **-** | - |
| Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements | **20** | 11 |
| Exchange differences | **10** | (156) |
| Operating lease rentals | **494** | 471 |
| Stock recognised as an expense | **15,138** | 14,776 |
| Defined contribution pension cost | **72** | 106 |
| Exceptional items | **5,867** | - |

Exceptional items incurred in the year relate to share options exercised as well as other restructuring costs required following the change of ownership on 23rd May 2017.

## 6. Employees

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

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Wages and salaries | **2,822** | 2,875 |
| Social security costs | **272** | 307 |
| Cost of defined contribution scheme | **72** | 106 |
| | **3,166** | 3,288 |

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

| | 2018 No. | 2017 No. |
|---|---|---|
| Production and distribution staff | **49** | 51 |
| Administrative staff | **22** | 17 |
| Management staff | **3** | 3 |
| Marketing staff | **16** | 18 |
| | **90** | 89 |

## 7. Directors' remuneration

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Directors' emoluments | **48** | 201 |
| Company contributions to defined contribution pension schemes | **2** | 38 |
| | **50** | 239 |

During the year retirement benefits were accruing to no directors (2017: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £33k (2017: £75k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2k (2017: £22k).

At 23rd May 2017, two directors of the business resigned from the company. From the 23rd May 2017, the continuing directors have been paid £367k (2017: Nil) by the immediate parent company, Magenta Prime Limited.

During the year 2 (2017: Nil) directors exercised share options. The interest in share options, over £1 Ordinary shares in the company were as follows:

On 15 March 2016 the company granted 321 share options to Mr P French at a market price of £368.12 per share. The exercise price of these share options is £368.12 per share and the exercise period is from 15 March 2016 to 14 March 2026. On 23 May 2017, Mr P French exercised share options for 321 shares.

At the balance sheet date Mr P French has nil (2017: 321) shares under option.

On 23 July 2015 the company granted 172 share options to Mr I Simister at a market price of £368.12 per share. The exercise of these share options is £368.12 per share and the exercise period is from 23 July 2015 to 22 July 2025. On 23 May 2017, Mr Simister exercised 172 share options. At the balance sheet date Mr I Simister has nil (2017: 172) shares under option.

## 8. Interest receivable and similar income

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Other interest receivable | 3 | 2 |

## 9. Interest payable and similar charges

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Finance leases and hire purchase contracts | 2 | 9 |

## 10. Taxation

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 271 | 1,421 |
| Adjustment in respect of previous periods | 4 | |
| **Total current tax** | 275 | 1,421 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 9 | 3 |
| Adjustment in respect of previous periods | (17) | - |
| Effect of changes in tax rates | (1) | - |
| **Total deferred tax** | (9) | 3 |
| **Total tax per income statement** | 266 | 1,424 |

### Factors affecting tax charge for the year

The tax assessed for the year is lower (2017 - higher) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Profit on ordinary activities before tax | **1,364** | 7,114 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%) | **259** | 1,423 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **21** | 8 |
| Adjustment from previous periods | **(13)** | - |
| Tax rate changes | **(1)** | - |
| Capital allowances for year in excess of depreciation | - | (19) |
| Changes in provisions leading to an increase in the tax charge | - | 9 |
| Deferred tax movements in accelerated capital allowances | - | 11 |
| Deferred tax movement on short term timing differences | - | (8) |
| **Total tax charge for the year** | **266** | 1,424 |

### Factors that may affect future tax charges

Future reductions to the UK Corporation tax rates have been announced by the current UK government. The main rate of corporation tax be reduced to 18% for the financial year beginning 1 April 2020.

## 11. Dividends

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Dividends paid on equity capital | - | 5,949 |

## 12. Intangible assets

| | Trademarks £'000 |
|---|---|
| **Cost and net book value** | |
| At 1 April 2017 | 3 |
| At 31 March 2018 | 3 |

## 13. Tangible Fixed Assets

| | Leasehold Improvements £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Assets Under Construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2017 | 419 | 2,691 | 589 | - | 3,699 |
| Additions | 5 | 455 | 137 | 94 | 691 |
| Disposals | | (13) | | | (13) |
| At 31 March 2018 | 424 | 3,133 | 726 | 94 | 4,377 |
| **Depreciation** | | | | | |
| At 1 April 2017 | 179 | 695 | 445 | - | 1,319 |
| Charge for the period | 36 | 252 | 57 | - | 345 |
| Disposals | - | (13) | - | - | (13) |
| At 31 March 2018 | 215 | 934 | 502 | - | 1,651 |
| **Net book value** | | | | | |
| **At 31 March 2018** | 209 | 2,199 | 224 | 94 | 2,726 |
| **At 31 March 2017** | 240 | 1,996 | 144 | - | 2,380 |

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Plant and machinery | 46 | 775 |
| | 46 | 775 |

## 14. Fixed asset investments

| | Shares in group undertakings £ |
|---|---|
| **Cost or valuation** | |
| At 31 March 2017 | **100** |
| At 31 March 2018 | **100** |
| **Net book value** | |
| At 31 March 2018 | **100** |
| At 31 March 2017 | **100** |

***Subsidiary undertakings***

The following were subsidiary undertakings of the company:

| Name | Class of shares | Holding | Principal activity |
|---|---|---|---|
| Metamark Technical Films Limited | Ordinary | 100% | Manufacturer of other plastic products |

Metamark Technical Films Limited's registered address is Luneside, New Quay Road, Lancaster, LA1 5QP

## 15. Stocks

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Raw materials and consumables | **1,196** | 848 |
| Work in progress | **40** | 84 |
| Finished goods and goods for resale | **2,261** | 1,907 |
| | **3,497** | 2,839 |

## 16. Debtors

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Trade debtors | **6,284** | 6,504 |
| Amounts owed by group undertakings | **413** | - |
| Other debtors | **33** | 165 |
| Corporation tax | **182** | - |
| Prepayments and accrued income | **212** | 154 |
| | **7,124** | 6,823 |

## 17. Cash and cash equivalents

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Cash at bank and in hand | **5,068** | 607 |
| | **5,068** | 607 |

## 18. Creditors: Amounts falling due within one year

| | 2018<br>£'000 | 2017<br>£'000 |
|---|---|---|
| Trade creditors | **4,373** | 4,104 |
| Corporation tax | **-** | 848 |
| Taxation and social security | **741** | 724 |
| Obligations under finance lease and hire purchase contracts | **9** | 150 |
| Other creditors | **13** | 10 |
| Accruals and deferred income | **312** | 284 |
| | **5,448** | 6,120 |

## 19. Creditors: Amounts falling due after more than one year

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Obligations under finance lease and hire purchase contracts | **34** | - |
| | **34** | - |

## 20. Deferred taxation

| | 2018 £'000 |
|---|---|
| At beginning of year | **236** |
| Adjustments in respect of prior years | **(17)** |
| Charged to profit or loss | **8** |
| **At end of year** | **227** |

The provision for deferred taxation is made up as follows:

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Accelerated capital allowances | **243** | 245 |
| Short term timing differences | **(16)** | (9) |
| | **227** | 236 |

## 21. Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;
(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
(c) for trading purposes.

In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Interest rate risk
The company is exposed to fair value interest rate risk on its borrowings and cash flow interest rate risk on bank overdrafts and loans. The company has entered into agreements on its overdraft and loans so as to minimise its exposure to changes in interest rates.

Credit risk
Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts whenever considered necessary.

Liquidity risk
The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Currency risk
The company's principal foreign currency exposures arise from trading with overseas companies. The company seeks to invoice and be invoiced in its principal trading currency wherever possible so as to minimise its exposure to foreign currency movements.

## 22. Share capital

| | **2018** | 2017 |
|---|---|---|
| | **£'000** | £'000 |
| **Shares classified as equity** | | |
| **Allotted, called up and fully paid** | | |
| Nil (2017: 5,000) - Ordinary A shares of £1 each | - | 5 |
| Nil (2017: 264) - Ordinary B shares of £1 each | - | - |
| 5,757 (2017: Nil) - Ordinary shares of £1 each | 6 | - |
| | 6 | 5 |

On 23 May 2017, 321 Ordinary B shares of £1 each and 172 Ordinary C shares of £1 each were issued.
On 23 May 2017, 585 Ordinary B shares and 172 Ordinary C shares were converted to Ordinary shares.
On 23 May 2017, 5,000 Ordinary A shares were converted to Ordinary shares.

Each ordinary share caries full voting rights in proportion with the percentage of total issued share capital. There are no restrictions on the distribution of dividends and the repayment of capital.

The company has granted share options under the Enterprise Management Incentive Scheme ("EMI").

Options to acquire Ordinary shares under the EMI may be granted to a maximum of £250,000 and may not exceed the lower of 585 shares or 10% of the issued share capital of the company, or such other limit as may be prescribed from time to time for the purposes of Schedule 5, ITEPA (based on the market value of the shares placed under option at the date of the grant).

No consideration is payable for the grant of an option and options are not transferable or assignable. Cash consideration is paid to the company by the employee at the point that the share options are exercised.

The interest in share options, over £1 Ordinary shares in the company were as follows:

On 15 March 2016 the company granted 321 share options to Mr P French at a market price of £368.12 per share. The exercise price of these share options is £368.12 per share and the exercise period is from 15 March 2016 to 14 March 2026. At the balance sheet date Mr P French has nil (2017: 321) shares under option. 321 share options were exercised during the year (2017: nil).

On 23 July 2015 the company granted 172 share options to Mr I Simister at a market price of £368.12 per share. The exercise of these share options is £368.12 per share and the exercise period is from 23 July 2015 to 22 July 2025. At the balance sheet date Mr I Simister has nil (2017: 172) shares under option. 172 share options were exercised during the year.

The options were granted in accordance with the terms and conditions as set out in the Company Share Option Scheme Rules.

## 23. Reserves

### Other reserves

Other reserves representing the fair value of share options recognised as an expense were transferred to the profit and loss account in the year.

## 24. Capital commitments

At 31 March 2018 the company had capital commitments as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£'000** | £'000 |
| Contracted for but not provided in these financial statements | **221** | 300 |
| | **221** | 300 |

The company enters into forward currency hedging contracts. At the balance sheet date, the company had forward hedging currency contracts outstanding of £1,500k.

## 25. Pension commitments

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independently administered fund. The pension cost charge represents total contributions payable by the company to the fund and amount to £72k (2017: £106k). At the balance sheet date, the company owed £13k (2017: £10k).

## 26. Commitments under operating leases

At 31 March 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£'000** | £'000 |
| Not later than 1 year | **465** | 409 |
| Later than 1 year and not later than 5 years | **1,016** | 1,487 |
| Later than 5 years | **-** | 6 |
| | **1,481** | 1,902 |

## 27. Transactions with directors

During the previous year the company loaned funds, interest free, to Mr P French. This was repaid on 23 May 2017. The maximum overdrawn amount during the year was £130k. At the balance sheet date, the company was owed nil (2017: £130k) by Mr P French.

## 28. Related party transactions

During the year the company paid dividends of £0k (2017: £5,949k) to directors.

During the year the period to 23 May 2017, the company made purchases amounting to £45k (2017: £312k) from Vuflex Limited, a company in which Mr G M Bateson is a director. At the balance sheet date the company owed £49k (2017: £68k) to Vuflex Limited.

During the period to 23 May 2017 the company paid rent to Mayday Properties amounting to £59k (2017: £246k), an entity controlled by Mr G M Bateson.

## 29. Post balance sheet events

On 8 May 2018, the company acquired the entire share capital of Trimwel Limited, a company registered and operated in Ireland.

## 30. Controlling party

There is no ultimate controlling party in the current or prior period. From 23 May 2017, the immediate parent undertaking is Magenta Prime Limited, a company registered in England and Wales. From 23 May 2017, the ultimate parent undertaking is Primary Capital Partners LLP, an entity registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Metamark Group Holdings Limited. No other group financial statements include the results of the Company. The consolidated accounts for Metamark Group Holdings Limited are available to the public and a copy may be obtained from the registered office address of the Company.

## 31. Contingent liability

The company is party to financing agreements and the bank loan totalling £28,500k with interest accrued of £141k; the 12.5% debenture loan totalling £15,850k with interest accrued of £1,236k; and the 10% debenture loans totalling £2,200k with interest accrued of £186k in Magenta Prime Limited, as well as the A preference shares totalling £15,850k with interest accrued of £1,694k and the B preference shares totalling £2,150k with interest accrued of £184k in Metamark Group Holdings Limited are secured by fixed and floating charges over the company's assets and undertakings.