

2

COMPANY REGISTRATION NUMBER: 00342498

**Clays Ltd**  
**Financial statements**  
**31 December 2019**



# Clays Ltd

## Financial statements

Year ended ended 31 December 2019

---

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directörs' report	4
Independent auditor's report to the members	8
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14

# Clays Ltd

## Officers and professional advisers

---

**The board of directors**

J P Hulley  
K P Mcfarlan  
J C P Nowell  
M F Pozzoni  
M L Vercelli Dequarti

**Company secretary**

J P Hulley

**Registered office**

Clays Printing Works  
Popson Street  
Bungay  
Norfolk  
NR35 1ED

**Auditor**

Lovewell Blake LLP  
Chartered accountants & statutory auditor  
Bankside 300  
Peachman Way  
Broadland Business Park  
Norwich  
NR7 0LB

# Clays Ltd

## Strategic report

### Year ended ended 31 December 2019

---

#### Introduction

The Directors present the Strategic Report, their Directors' Report and the audited financial statements for the year ended 31 December 2019 ("the financial period" or "period"). Comparative figures are for the 17 month period ended 31 December 2018. The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

#### Principal activities

The Company's principal activity is the printing of books and ancillary added value services. There have not been any significant changes in the Company's principal activities in the period under review. The Directors are not aware, at the date of this Report, of any likely major changes in the Company's activities in the next financial period.

#### Business review

The results for the period are shown on page 11, and the state of the companies affairs are shown on page 12. The company's profit before tax for the year ended 31 December 2019 amounted to £6.5m (2018: 17 months – £7.2m).

Revenue for the trading period was £73.1m (2018: £101.6m). Given the extended accounting period in the prior year, these figures are not comparable. However on a like for like basis it represents a 2% increase against 2018.

The market continues to demand fast delivery times and ever shorter run lengths. The company has responded to this in 2019 with a significant investment in new equipment which further improves its ability to service customers.

#### Financial key performance indicators

The company measures closely several key financial metrics, including Turnover and Gross Profit Margin. These are reviewed frequently against budgets and prior year figures. In addition the company monitors a number of important non financial indicators including customer order quantities, factory output productivity, together with appropriate people related metrics and health and safety metrics.

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
Turnover (£)	73,113,131	101,604,896
Gross profit margin* (%)	19.7	19.3

\*Excluding exceptional costs

# Clays Ltd

## Strategic report (continued)

Year ended ended 31 December 2019

---

### Principal risks and uncertainties

As noted above, the Company's core activities are the printing of books and ancillary added value services. The principal risks that the Company presently faces relate directly or indirectly to the ongoing COVID-19 pandemic (see below). Notwithstanding this fact the directors remain mindful of wider underlying risks and with a high market share, the principal risk to the business relates to the size of the company's addressable market. At present the market is in modest growth following several years of decline following the introduction of e books, a product whose market share seems to have plateaued.

At an operational level, the primary risk is the competitive environment and the successful renewal of existing customer contracts. To that end, the company is focused on providing high levels of customer service in support of excellent production standards to maintain strong customer relationships and minimise the risk of customer losses as contracts are reviewed.

### Future developments

Following the change of ownership in 2018, the company is well positioned to benefit from future opportunities in its main markets. It has made significant investments in the past year to further improve its service and quality. It intends to pursue further opportunities in this area in the coming years. It will continue to seek sales growth selectively and only when it can be sure of an adequate commercial return.

### Post balance sheet events

The COVID-19 pandemic, that started to significantly impact the Company in March 2020, has had an unprecedented impact on the environment in which we operate. The effects have been far reaching and as yet are not fully defined. Note 27 to the financial statements provides a summary of how it has affected the Company to date. While operations have been adversely affected the Company continues to trade profitably and looks forward to the future with some optimism, while being mindful of the need to carefully monitor and manage the risks related to the pandemic.

These risks include potential localised out breaks or a second wave of the virus. In this context the Company is continually monitoring the situation and has instigated procedures to minimise the risk to the business and its employees; these include ensuring that social distancing is maintained within the workplace, additional cleaning regimes (of communal areas and of machines before each shift starts) and the separation of shift change overs (to ensure one shift has left the premises before the next one commences).

While it is presently difficult to accurately predict when and how the current pandemic will be resolved, the directors have been keeping the situation under constant review and will continue to refine our response as new information becomes available.

### Statement concerning section 172 of the Companies Act

The board's statement of compliance with Section 172 of the Companies Act 2006 is included in the Directors' Report.

This report was approved by the board of directors on 4 Dec 2020 and signed on behalf of the board by:

J P Hulley  
Director



# **Clays Ltd**

## **Directors' report**

### **Year ended ended 31 December 2019**

---

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

#### **Directors**

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

J P Hulley  
K P Mcfarlan  
J C P Nowell  
M F Pozzoni  
M L Vercelli Dequarti

On 4 May 2020 E Cuomo was appointed as director.

#### **Dividends**

Particulars of recommended dividends are detailed in note 12 to the financial statements.

#### **Employment of disabled persons**

The Company is an Equal Opportunities Employer and no job applicant receives less favourable treatment on the grounds of age, gender, marital status, race, colour, sexual orientation, religious or philosophical beliefs.

It is the policy of the Company that people with disabilities, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retrained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The Company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employment policies**

The Directors provide business briefings for all employees giving information to them regarding matters of concern to them but also to enable a greater understanding of the financial and economic factors affecting the performance of the company. In respect of specific matters the Directors would meet with the Union representatives to discuss these.

The Company has a positive approach to health and safety at work and regards compliance with statutory requirements as a minimum standard. Resources are available to ensure that continuing progress is made towards achieving a healthier and safer working environment for all employees.

# Clays Ltd

## Directors' report *(continued)*

**Year ended ended 31 December 2019**

---

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk and foreign exchange risk.

The Company's principal financial assets are cash at bank and in hand, and debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the Company's Statement of financial position are net of allowances for doubtful debtors estimated based on the prior experience and the assessment of the current economic environment.

In determining the recoverability of trade debtors the Company considers any change in the quality of the trade debtors from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the Company's credit insurance arrangements.

The Company's policy is to maintain flexibility with respect to its liquidity position, by utilising short term cash deposits and, where necessary, short term bank borrowings for working capital and longer term borrowings for capital expenditure requirements.

The Company enters into forward foreign exchange contracts from time to time in order to cover its specific foreign currency payments and receipts and to manage the risk associated with anticipated sale and purchase translations. Basis adjustments are made to the carrying amount of non financial hedged items when the anticipated sale or purchase transaction takes place. The Company does not use derivative financial instruments for speculative purposes.

### **Events after the end of the reporting period**

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

### **Engagement with customers, suppliers and other stakeholders**

The Directors believe that engagement with customers, suppliers and other stakeholders is an important part of their role, ensuring clear understanding of and support for strategy amongst the key business partners to ensure that the business is sustainable for the future.

All stakeholders are treated in the same way in that regular meetings are held with them to determine the basis of an effective and sustainable ongoing relationship. The Directors determine the frequency of these meetings with reference to their relative importance to the business and in conjunction with the stakeholders themselves.

In all cases the Directors will consider any matters raised in these meetings and respond accordingly.

### **Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities.

# Clays Ltd

## Directors' report *(continued)*

**Year ended ended 31 December 2019**

---

### **Section 172 statement**

This section serves as our section 172 statement and should be read in conjunction with the Strategic report on pages 2 to 3. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, thus complying with the requirement to include a statement setting out how our Directors have discharged this duty. In this context we note the following:

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company's Board regularly reflects on how the Company engages with its stakeholders and opportunities for enhancement in the future. Such reflections are facilitated by the Board's composition; being made up of a mix of executive and non- executive members who combine a shareholder's perspective with that of management.
- The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom through information provided by management and also by direct engagement with stakeholders themselves. Such stakeholders include shareholders, employees, customers and the wider community in which the Company is based. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.
- The Board continues to enhance its methods of engagement with the workforce, notwithstanding the challenges of the ongoing COVID-19 pandemic.
- We aim to work responsibly with our suppliers. The importance of supplier relationships is also recognised, as evidenced by paying suppliers to agreed terms.
- The Company contributes to the community in which it is primarily based in a number of different ways. The Company recognises that it is important for the healthy development of the community in which it operates to participate in this way.

The fundamental overriding principals in the governance of the Company is that of ensuring transparent conduct which reflects fairness in all dealings with the shareholder, employees, customers and suppliers. The Company has been part of the business community in South Norfolk for more than 200 years and is rooted in the community with an exciting vision for the future as part of the wider Elcograf group; one of Europe's leading print providers.

The combination of a long history married to a modern international printing group enables the Company to place a high degree of importance on its core values. These include the minimisation of the environmental impact of our operations; further details of which may be found on the Company's website. As noted earlier in the Directors' Report we value our employees and seek to both keep them informed of and involved in the development of the Company's future strategy. During the ongoing COVID-19 pandemic our dialogue with employees has been further strengthened.

A testament to the importance we place on all stakeholders is the significantly long length of service by many of our senior employees and the many long-standing relationships with customers and suppliers.

### **Matters covered in the Strategic report**

The Strategic report includes the following disclosures that would otherwise have been included in the directors' report:

- Business review



# Clays Ltd

## Directors' report *(continued)*

**Year ended ended 31 December 2019**

---

- Financial key performance indicators
- Principal risks and uncertainties
- Future developments
- Financial risk management objectives and policies

### 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 ended. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 4 Dec 2020 and signed on behalf of the board by:

J P Hulley  
Director



# Clays Ltd

## Independent auditor's report to the members of Clays Ltd

Year ended ended 31 December 2019

---

### Opinion

We have audited the financial statements of Clays Ltd (the 'company') for the year ended ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 31 December 2019 and of its profit for the year ended 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.

# Clays Ltd

## Independent auditor's report to the members of Clays Ltd *(continued)*

**Year ended ended 31 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 ended for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

# Clays Ltd

## Independent auditor's report to the members of Clays Ltd *(continued)*

**Year ended ended 31 December 2019**

---

### **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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

  
Tobias Wilson BA(Hons) FCA (Senior Statutory Auditor)

For and on behalf of  
Lovewell Blake LLP  
Chartered accountants & statutory auditor  
Bankside 300  
Peachman Way  
Broadland Business Park  
Norwich  
NR7 0LB

*4 December 2020*

# Clays Ltd

## Statement of comprehensive income

Year ended ended 31 December 2019

		Year ended 31 Dec 2019 £	17 months ended 31 Dec 2018 £
Turnover	Note 4	73,113,131	101,604,896
Cost of sales		(58,724,669)	(81,975,412)
Gross profit		14,388,462	19,629,484
Selling expenses		(196,815)	(1,186,900)
Administrative expenses		(7,631,963)	(11,208,410)
Operating profit	5	6,559,684	7,234,174
Other interest receivable and similar income	9	14,600	15,209
Interest payable and similar expenses	10	(75,568)	(4,969)
Profit before taxation		6,498,716	7,244,414
Tax on profit	11	(1,223,235)	(1,508,217)
Profit for the financial year ended and total comprehensive income		<u>5,275,481</u>	<u>5,736,197</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 27 form part of these financial statements.


# Clays Ltd

## Statement of financial position

31 December 2019

	Note	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		—		797
Tangible assets	14		14,325,907		10,947,681
			14,325,907		10,948,478
<b>Current assets</b>					
Stocks	15	3,484,229		3,334,096	
Debtors	16	20,333,350		19,704,809	
Cash at bank and in hand		10,751,346		8,799,467	
		34,568,925		31,838,372	
<b>Creditors: Amounts falling due within one year</b>	17	(18,587,445)		(17,634,137)	
<b>Net current assets</b>			15,981,480		14,204,235
<b>Total assets less current liabilities</b>			30,307,387		25,152,713
<b>Creditors: Amounts falling due after more than one year</b>	18		(3,200,143)		(1,859,281)
<b>Provisions</b>					
Taxation including deferred tax	20		(340,052)		(72,112)
<b>Net assets</b>			26,767,192		23,221,320
<b>Capital and reserves</b>					
Called up share capital	24		2,369,327		2,369,327
Share premium account	25		82,038		82,038
Profit and loss account	25		24,315,827		20,769,955
<b>Shareholders funds</b>			26,767,192		23,221,320

These financial statements were approved by the board of directors and authorised for issue on 4 Dec 2020, and are signed on behalf of the board by:

  
J P Hulley  
Director

Company registration number: 00342498

The notes on pages 14 to 27 form part of these financial statements.

# Clays Ltd

## Statement of changes in equity

Year ended ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
<b>At 29 July 2017</b>	2,369,327	82,038	17,533,758	19,985,123
Profit for the year ended			5,736,197	5,736,197
<b>Total comprehensive income for the year ended</b>	—	—	5,736,197	5,736,197
Dividends paid and payable <b>12</b>	—	—	(2,500,000)	(2,500,000)
<b>Total investments by and distributions to owners</b>	—	—	(2,500,000)	(2,500,000)
<b>At 31 December 2018</b>	2,369,327	82,038	20,769,955	23,221,320
Profit for the year ended			5,275,481	5,275,481
<b>Total comprehensive income for the year ended</b>	—	—	5,275,481	5,275,481
Dividends paid and payable <b>12</b>	—	—	(1,729,609)	(1,729,609)
<b>Total investments by and distributions to owners</b>	—	—	(1,729,609)	(1,729,609)
<b>At 31 December 2019</b>	<u>2,369,327</u>	<u>82,038</u>	<u>24,315,827</u>	<u>26,767,192</u>

The notes on pages 14 to 27 form part of these financial statements.

# Clays Ltd

## Notes to the financial statements

Year ended ended 31 December 2019

---

### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Clays Printing Works, Popson Street, Bungay, Norfolk, NR35 1ED.

### 2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### 3.1 Basis of preparation

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

#### 3.2 Going concern

The Company has generated sufficient financial resources from its activities to allow the directors to believe that the Company is well placed to manage its business risks successfully in the current challenging economic climate. The Company meets its day-to-day working capital requirements through its cash balances and appropriate asset finance facilities.

In reviewing the application of going concern the directors have also recognised that the ongoing COVID-19 pandemic has significantly changed the economic environment in which the Company presently operates. In this context the directors have sought to take into account a number of specific factors when preparing the forecasts for the 12 months following the signing of the financial statements. Such factors include (but are not limited to) the following:

- the timing and level of customer demand; and
- the risk of localised or widespread lockdowns being enforced.

While not directly linked to the ongoing pandemic, consideration has also been given to the potential effect of the UK's departure from the European Union and any related disruption to supply chain and general economic conditions.

After taking account of such factors, the level of cash balances presently held, mitigating steps that could be taken and the support of existing funders, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.



# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

---

#### 3. Accounting policies *(continued)*

##### 3.3 Disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Pietro Pozzoni E C, S.A.P.A. as at 31 December 2019 and these financial statements may be obtained from the General Counsel of Elcograf spa by writing to them at Via Mondadori 16, 37131, Verona, Italy.

##### 3.4 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 amounts 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.

Key sources of estimation uncertainty:

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 Company considers the recoverability of engineering stock items. The key areas of judgement when assessing the recoverability of these assets are in relation to the net realisable values of the items and when they are likely to be used. In the current period an impairment of £Nil (2018: £Nil) was recorded against stock items. Refer to note 15 for further information regarding stock carrying values.

Determining whether an allowance is required against certain customer and other receivable balances involves an estimate of the ability of counterparties to make required payments. If the financial positions of the counterparties were to deteriorate, affecting their ability to make payments, additional allowances may be required in future periods. Refer to note 16 for further information regarding debtor carrying values and note 5 for impairment charges recognised in the period.

# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

---

#### 3. Accounting policies *(continued)*

##### 3.5 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and comprises amounts receivable for goods and services, net of trade discounts, up front payments, VAT and other sales related taxes.

Revenue for goods is recognised in the profit and loss account when all the following conditions are satisfied:

- the significant risks and rewards of ownership are transferred to the customer, normally at the later of the copy date and the date of completion;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from advance billings is deferred and released to revenue when conditions for its recognition have been fulfilled.

The Company operates a bill and hold sales arrangement. Revenue is recognised on the later of the copy date and the date the goods have been completed, provided that the following conditions have been met:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

##### 3.6 Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

# Clays Ltd

## Notes to the financial statements *(continued)*

**Year ended ended 31 December 2019**

---

### **3. Accounting policies *(continued)***

#### **3.7 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.

#### **3.8 Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### **3.9 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 ten years.

#### **3.10 Tangible 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.

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

#### **3.11 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, using the straight-line method.

Short leasehold property	-	over the minimum lease term
Plant and machinery	-	10% - 33.33%
Fixtures and fittings	-	10% - 50%
Motor vehicles	-	25%

# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

---

#### 3. Accounting policies *(continued)*

##### Depreciation *(continued)*

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.

##### 3.12 Stocks

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

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

##### 3.13 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 lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease 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.

##### 3.14 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 statement of financial position 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.

##### 3.15 Financial instruments

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

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

---

#### 3. Accounting policies *(continued)*

##### Financial instruments *(continued)*

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

##### 3.16 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.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### 4. Turnover

Turnover arises from:

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Sale of goods	73,113,131	101,604,896

The Directors consider that the Company has only one class of business in the current and prior period and consequently no further analysis of turnover is given.

# Clays Ltd

## Notes to the financial statements (continued)

### Year ended ended 31 December 2019

#### 4. Turnover (continued)

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
United Kingdom	72,801,331	101,224,025
Overseas sales	311,800	380,871
	<u>73,113,131</u>	<u>101,604,896</u>

#### 5. Operating profit

Operating profit or loss is stated after charging/crediting:

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Amortisation of intangible assets	797	1,249
Depreciation of tangible assets	1,918,161	2,118,140
Gains on disposal of tangible assets	(20,000)	(57,394)
Impairment of trade debtors	23,000	34,817
Foreign exchange differences	55,899	(48,840)

#### 6. Auditor's remuneration

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Fees payable for the audit of the financial statements	<u>26,950</u>	<u>26,900</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	4,950	4,750
Other non-audit services	1,650	1,650
	<u>6,600</u>	<u>6,400</u>

#### 7. Staff costs

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

	2019 No.	2018 No.
Production staff	654	630
Administrative staff	115	113
Sales staff	28	23
	<u>797</u>	<u>766</u>

# Clays Ltd

## Notes to the financial statements (continued)

### Year ended ended 31 December 2019

#### 7. Staff costs (continued)

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

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Wages and salaries	24,360,030	31,850,924
Social security costs	2,371,808	3,055,994
Other pension costs	766,028	1,472,323
	<u>27,497,866</u>	<u>36,379,241</u>

The comparative figure for wages and salaries has been adjusted by £710,456 to exclude the costs of agency staff as these are not deemed to be employees of the Company.

#### 8. Directors' remuneration

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

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Remuneration	198,449	271,601
Company contributions to defined contribution pension plans	—	10,556
	<u>198,449</u>	<u>282,157</u>

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

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Aggregate remuneration	198,449	265,760
Company contributions to defined contribution pension plans	—	10,556
	<u>198,449</u>	<u>276,316</u>

Directors' emoluments include £Nil (2018: £Nil) in respect of compensation for loss of office.

Key management is considered to comprise the directors of the company. This assessment has been made having regard to the nature of the company, its size and basis of operation.

#### 9. Other interest receivable and similar income

	Year ended 31 Dec 2019	17 months ended 31 Dec 2018
	£	£
Interest on cash and cash equivalents	<u>14,600</u>	<u>15,209</u>

# Clays Ltd

## Notes to the financial statements (continued)

### Year ended ended 31 December 2019

#### 10. Interest payable and similar expenses

	Year ended 31 Dec 2019 £	17 months ended 31 Dec 2018 £
Interest on obligations under finance leases and hire purchase contracts	75,568	4,969

#### 11. Tax on profit

##### Major components of tax expense

	Year ended 31 Dec 2019 £	17 months ended 31 Dec 2018 £
<b>Current tax:</b>		
UK current tax expense	958,314	1,184,166
Adjustments in respect of prior periods	(3,019)	278,308
Total current tax	955,295	1,462,474
<b>Deferred tax:</b>		
Origination and reversal of timing differences	267,940	45,743
<b>Tax on profit</b>	<b>1,223,235</b>	<b>1,508,217</b>

##### Reconciliation of tax expense

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

The differences are explained below:-

	Year ended 31 Dec 2019 £	17 months ended 31 Dec 2018 £
Profit on ordinary activities before taxation	6,498,716	7,244,414
Profit on ordinary activities by rate of tax	1,234,756	1,376,439
Adjustment to tax charge in respect of prior periods	(3,019)	278,308
Effect of expenses not deductible for tax purposes	5,652	4,842
Effect of capital allowances and depreciation	10,691	7,126
Deferred tax not recognised	6,655	(137,536)
Adjust opening and closing deferred tax to average rate	(31,500)	(20,962)
<b>Tax on profit</b>	<b>1,223,235</b>	<b>1,508,217</b>

##### Factors that may affect future tax expense

The Finance Act 2016, which provides for reductions in the main rate of corporation tax to 19% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the Statement of financial position date.



# Clays Ltd

## Notes to the financial statements (continued)

### Year ended ended 31 December 2019

#### 12. Dividends

	2019 £	2018 £
Dividends paid during the year ended (excluding those for which a liability existed at the end of the prior year ended )	<u>1,729,609</u>	<u>2,500,000</u>

#### 13. Intangible assets

	Software £
<b>Cost</b>	
At 1 January 2019 and 31 December 2019	<u>527,777</u>
<b>Amortisation</b>	
At 1 January 2019	526,980
Charge for the year ended	<u>797</u>
<b>At 31 December 2019</b>	<u>527,777</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>797</u>

#### 14. Tangible assets

	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2019	381,000	66,295,514	3,081,688	71,231	69,829,433
Additions	-	5,245,863	50,524	-	5,296,387
<b>At 31 December 2019</b>	<u>381,000</u>	<u>71,541,377</u>	<u>3,132,212</u>	<u>71,231</u>	<u>75,125,820</u>
<b>Depreciation</b>					
At 1 January 2019	35,623	55,938,501	2,836,397	71,231	58,881,752
Charge for the year ended	<u>54,483</u>	<u>1,724,511</u>	<u>139,167</u>	<u>-</u>	<u>1,918,161</u>
<b>At 31 December 2019</b>	<u>90,106</u>	<u>57,663,012</u>	<u>2,975,564</u>	<u>71,231</u>	<u>60,799,913</u>
<b>Carrying amount</b>					
At 31 December 2019	<u>290,894</u>	<u>13,878,365</u>	<u>156,648</u>	<u>-</u>	<u>14,325,907</u>
At 31 December 2018	<u>345,377</u>	<u>10,357,013</u>	<u>245,291</u>	<u>-</u>	<u>10,947,681</u>

#### 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 agreements:

	Plant and machinery £
<b>At 31 December 2019</b>	<u>3,976,344</u>
At 31 December 2018	<u>2,214,337</u>

# Clays Ltd

## Notes to the financial statements *(continued)*

**Year ended ended 31 December 2019**

### 15. Stocks

	2019	2018
	£	£
Raw materials and consumables	1,063,675	889,551
Work in progress (goods to be sold)	583,082	691,466
Engineering stock	1,837,472	1,753,079
	<u>3,484,229</u>	<u>3,334,096</u>

Stock recognised in cost of sales during the period as an expense was £21,579,145 (2018: £28,915,185).

An impairment loss of £Nil (2018: £Nil) was recognised in cost of sales against stock during the period due to slow moving and obsolete stock.

### 16. Debtors

	2019	2018
	£	£
Trade debtors	18,479,170	17,766,906
Amounts owed by group undertakings	33,956	–
Prepayments and accrued income	776,227	704,367
Other debtors	1,043,997	1,233,536
	<u>20,333,350</u>	<u>19,704,809</u>

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

	2019	2018
	£	£
Trade creditors	13,559,333	11,498,993
Amounts owed to group undertakings	–	172,966
Accruals and deferred income	2,932,712	3,284,469
Corporation tax	259,295	701,166
Social security and other taxes	595,160	572,303
Obligations under finance leases and hire purchase contracts	573,190	318,786
Other creditors	667,755	1,085,454
	<u>18,587,445</u>	<u>17,634,137</u>

The Company operates an invoice discounting facility which is secured by a fixed charge over trade debtors and a floating charge over the assets of the Company. At 31 December 2019 there was a balance owed to the invoice discounting provider of £Nil (31 December 2018: £Nil).

The Company's bankers also hold a fixed and floating charge over the assets of the Company. At 31 December 2019 there was a balance owed to the Company's bankers of £Nil (31 December 2018: £Nil).

The net obligations under finance leases and hire purchase contracts are secured against the assets concerned.

# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

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

	2019 £	2018 £
Obligations under finance leases and hire purchase contracts	<u>3,200,143</u>	<u>1,859,281</u>

#### 19. 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	573,190	318,786
Later than 1 year and not later than 5 years	2,436,514	1,275,144
Later than 5 years	<u>763,629</u>	<u>584,137</u>
	<u>3,773,333</u>	<u>2,178,067</u>

#### 20. Provisions

	Deferred tax (note 21) £
At 1 January 2019	72,112
Additions	<u>267,940</u>
At 31 December 2019	<u>340,052</u>

#### 21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Included in provisions (note 20)	<u>340,052</u>	<u>72,112</u>

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

	2019 £	2018 £
Accelerated capital allowances	378,317	91,113
Deferred tax - other timing difference	<u>(38,265)</u>	<u>(19,001)</u>
	<u>340,052</u>	<u>72,112</u>

#### 22. Employee benefits

##### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £181,381 (2018: £753,549).

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 assets of the plan are held separately from the Company in independently administered funds.

# Clays Ltd

## Notes to the financial statements (continued)

Year ended ended 31 December 2019

### 23. Financial instruments

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

	2019 £	2018 £
<b>Financial assets measured at fair value through profit or loss</b>		
Financial assets measured at fair value through profit or loss	10,751,346	8,799,467
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	20,333,350	19,704,809
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	(18,032,990)	(16,360,668)

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

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, obligations under finance leases and hire purchase contracts, other creditors and accruals.

### 24. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	2,369,327	2,369,327	2,369,327	2,369,327

### 25. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 26. Operating leases

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

	2019 £	2018 £
Not later than 1 year	1,553,440	1,697,666
Later than 1 year and not later than 5 years	4,358,728	5,142,168
Later than 5 years	256,667	1,026,667
	<u>6,168,835</u>	<u>7,866,501</u>

# Clays Ltd

## Notes to the financial statements *(continued)*

### Year ended ended 31 December 2019

---

#### **27. Events after the end of the reporting period**

Events as a result of the Covid-19 pandemic and subsequent lockdown affected the business from mid-March, with an initial significant increase in sales as publishers and retailers built their stock holdings. This subsequently changed following the announcement of lockdown on 23 March 2020, and whilst the business continued to receive orders and produce books, this was at a lower level than in previous years. Consequently, a number of our work force were placed on the Government Furlough scheme during the period of lower activity.

The business continued to operate at the lower level activity for the 3 months of strict lockdown, however with the easing of lockdown restrictions and publishers returning to their normal publishing timetable a return to levels of business in line with last year occurred in July. The directors envisage this continuing for the remaining part of the year based upon orders already received and other indications from our customers; subject to any further restrictions imposed due to a possible resurgence in Covid-19 and its effects.

Whilst the business was not operating efficiently during the period of reduced turnover, the directors forecast that the business will remain profitable for the year to 31 December 2020 and cash generative for the period, with a return to "normal" for 2021 and beyond on the basis of our long term contracts with our customers (again subject to the risk of further restrictions due to Covid-19).

While it is presently difficult to accurately predict when and how the current pandemic will be resolved, the directors have been keeping the situation under constant review and will continue to refine the Company's response as new information becomes available and we continue to work with our customers and suppliers.

#### **28. Related party transactions**

The Company has taken advantage of the exemption granted by Financial Reporting Standard 102 not to disclose transactions with other wholly owned group companies.

#### **29. Controlling party**

The Company's immediate parent company is Elcograf S.p.A., a company incorporated and registered in Italy. The Company's ultimate parent company is Pietro Pozzoni E C. S.A.P.A., a company also incorporated and registered in Italy. The ultimate controlling party is Mr M F Pozzoni.

The smallest and largest group in which the results of the Company are consolidated is that of Pietro Pozzoni E C, S.A.P.A.