

Company registration number 894340 (England and Wales)

MERGON UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

MERGON UK LIMITED

COMPANY INFORMATION

Directors	Mr P Wareing Mr P Beirne Mr T Mullen Ms A Beirne Mr S O'Keeffe
Company number	894340
Registered office	Centurion Way, Roman Road Industrial Estate Roman Road Blackburn BB1 2LD
Auditor	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP

MERGON UK LIMITED

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MERGON UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Review of the business

The business continues a strategy of customer and product diversification to mitigate the risks associated with significant customer dependence. The main risks to achieving the business strategy are continually assessed by the directors and actions taken to mitigate wherever necessary.

Principal risks and uncertainties

The period has seen the continuation of Covid-19 issues, the ongoing impacts of Brexit, the global disruption to the supply chain and the labour market and most latterly and most significantly the escalation of power prices brought on by increased global demand and the Russian invasion of Ukraine.

These remain significant risks to the business as does the inherent risk of price escalation and availability of material supplies which at the start of the new period is once again becoming evident.

The new period also starts with the onset of unprecedented general inflationary pressures on all business costs and in particular power, labour and material costs showing significant upwards movement.

The business will mitigate these risks by increased customer pricing as appropriate with the understanding that this in itself is a risk to the continuation of current customer activity levels.

Development and performance

The improved position which the business has worked towards in the immediate past has enabled the business to withstand the unprecedented pressures placed on it during the period without, until recently, recourse to customers. Pricing adjustments have been made as appropriate without significant impairment of the customer base.

Following last year's acquisition of the whole of the share capital of the business by Westcastle Topco Limited, the company became part of the Mergon Group of companies, a global leader in plastics manufacturing with operations in Ireland, USA, The Czechia and Mexico. This has enhanced the company's capabilities and management processes to further enable the business to withstand the inherent risks within the market place.

Key performance indicators

- **Turnover:** this has reduced by 30% to £13.3m (2022: £19.1m) as well as the previous period having covered 15 months this year reflected the reduction in volumes at a major customer associated with their loss of demand from one product group. This has now returned to normal levels.
- **Gross Margin:** this has increased to 19.8% (2022: 12.3%) and reflects the impact of pricing changes made at the end of the last period
- **Operating profit after interest:** of £160k (2022: £103k). The increase in operating profits reflects the impact of pricing changes to recover cost increases previously not fully recovered.
- **Cash at bank:** £602k (2022: £722k). Ongoing attention to working capital management has enabled cash resources to be maintained at close to previous levels.

Faced with the ongoing current global pressures the business seeks to continue to strengthen its position and to build on previous improvements to maintain profitability in the coming year and the directors continue to be confident that this can be achieved.

Other performance indicators

The continued welfare and safety of all employees is of major importance to the business. The company achieved the Health and Safety standard ISO 18000 a number of years ago. This has been a significant influence in the setting of internal processes and controls targeted at annual reductions in the occurrence of employee accidents or injury.

MERGON UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

On behalf of the board

Mr P Wareing
Director

2 August 2023

MERGON UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities

The principal activity of the company continued to be the manufacture and supply of blow moulded plastic items.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr P Wareing
Mr P Beirne
Mr T Mullen
Ms A Beirne
Mr S O'Keeffe

Auditor

The auditor, MHA Moore and Smalley, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

MERGON UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

On behalf of the board

Mr P Wareing
Director

Mr S O'Keeffe
Director

2 August 2023

MERGON UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERGON UK LIMITED

Opinion

We have audited the financial statements of Mergon UK Limited (the 'company') for the year ended 31 March 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 2023 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

MERGON UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MERGON UK LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, are detailed below:

- Enquiries with management, about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness; and
- Auditing the risk of fraud and management override of revenue by testing a sample of transactions from source documentation to determine the completeness of revenue.

MERGON UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MERGON UK LIMITED

Because of the field in which the client operates we identified that employment law, health and safety legislation and compliance with the UK Companies Act are the areas most likely to have a material impact on the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

Paul Locker
Senior Statutory Auditor
For and on behalf of MHA Moore and Smalley
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

2 August 2023

MERGON UK LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

		Year ended 31 March 2023 £	Period ended 31 March 2022 £
	Notes		
Turnover	3	13,346,590	19,107,187
Cost of sales		(10,700,235)	(16,761,067)
Gross profit		2,646,355	2,346,120
Distribution costs		(211,523)	(281,876)
Administrative expenses		(2,227,542)	(1,973,471)
Other operating income	3	-	44,812
Operating profit	4	207,290	135,585
Interest payable and similar expenses	7	(47,284)	(32,291)
Profit before taxation		160,006	103,294
Tax on profit	8	(28,870)	(75,018)
Profit for the financial year		131,136	28,276

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MERGON UK LIMITED**BALANCE SHEET****AS AT 31 MARCH 2023**

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible fixed assets	10		2,556,723		2,668,494
Current assets					
Stocks	11	1,840,246		1,799,535	
Debtors	12	4,805,580		3,664,425	
Cash at bank and in hand		601,752		721,669	
		<u>7,247,578</u>		<u>6,185,629</u>	
Creditors: amounts falling due within one year	13	<u>(5,243,885)</u>		<u>(4,442,250)</u>	
Net current assets			<u>2,003,693</u>		<u>1,743,379</u>
Total assets less current liabilities			<u>4,560,416</u>		<u>4,411,873</u>
Creditors: amounts falling due after more than one year	14		-		(11,463)
Provisions for liabilities					
Deferred tax liability	16	<u>280,408</u>	<u>(280,408)</u>	<u>251,538</u>	<u>(251,538)</u>
Net assets			<u><u>4,280,008</u></u>		<u><u>4,148,872</u></u>
Capital and reserves					
Called up share capital	18		1,371,250		1,371,250
Share premium account			2,965		2,965
Profit and loss reserves			<u>2,905,793</u>		<u>2,774,657</u>
Total equity			<u><u>4,280,008</u></u>		<u><u>4,148,872</u></u>

The financial statements were approved by the board of directors and authorised for issue on 2 August 2023 and are signed on its behalf by:

Mr P Wareing
Director

Mr S O'Keeffe
Director

Company Registration No. 894340

MERGON UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021		1,357,250	2,965	3,414,828	4,775,043
Period ended 31 March 2022:					
Profit and total comprehensive income for the period		-	-	28,276	28,276
Issue of share capital		14,000	-	-	14,000
Dividends	9	-	-	(668,447)	(668,447)
Balance at 31 March 2022		1,371,250	2,965	2,774,657	4,148,872
Year ended 31 March 2023:					
Profit and total comprehensive income for the year		-	-	131,136	131,136
Balance at 31 March 2023		1,371,250	2,965	2,905,793	4,280,008

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Mergon UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Centurion Way, Roman Road Industrial Estate, Roman Road, Blackburn, BB1 2LD.

1.1 Reporting period

The financial statements for the current period covers the 12 month period from 1 April 2022 to 31 March 2023. The previous financial period covered the 15 month period from 1 January 2021 to 31 March 2022. As such, the two periods are not comparable. The accounting period end was amended for administrative reasons.

1.2 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;

The financial statements of the company are consolidated in the financial statements of Westcastle Topco Limited. These consolidated financial statements are available from The International Stock Exchange Group, Tisegroup.com.

1.3 Going concern

The directors have considered all known relevant factors in preparing forecasts based on different scenarios which indicate that there are no material uncertainties over there being sufficient funds in place to meet all known liabilities as they are projected to fall due for payment over the next 12 months.

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

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

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

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

Plant and machinery	5 - 25 years straight line
Fixtures, fittings, tools and equipment	4 - 12 years straight line
Motor vehicles	4 years straight line
Moulds	12 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

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

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provision for slow moving and obsolete stock

The provision is calculated on an individual stock line basis, with due regard to previous and expected stock movements. The provision is reviewed and updated at each reporting date.

Useful economic life of tangible fixed assets

The useful economic life of tangible fixed assets is judged at the point of purchase and reviewed at each balance sheet date. Further details are provided within note 1.5 to the financial statements.

MERGON UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****3 Turnover and other revenue**

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	12,369,631	18,839,414
Export	976,959	267,773
	<u>13,346,590</u>	<u>19,107,187</u>

	2023	2022
	£	£
Other operating income		
Grants received	-	44,812
	<u>-</u>	<u>44,812</u>

4 Operating profit

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	15,442	-
Government grants	-	(44,812)
Fees payable to the company's auditor for the audit of the company's financial statements	12,700	18,820
Depreciation of owned tangible fixed assets	216,378	266,603
Depreciation of tangible fixed assets held under finance leases	13,806	17,258
	<u>258,326</u>	<u>246,669</u>

5 Employees

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

	2023	2022
	Number	Number
Production	107	105
Selling, distribution and administration	16	16
	<u>123</u>	<u>121</u>

MERGON UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2023**5 Employees (Continued)**

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	3,587,898	4,236,096
Social security costs	346,462	391,838
Pension costs	140,261	165,278
	<u>4,074,621</u>	<u>4,793,212</u>

6 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	100,050	153,463
Company pension contributions to defined contribution schemes	7,835	9,746
	<u>107,885</u>	<u>163,209</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

7 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	<u>47,284</u>	<u>32,291</u>

8 Taxation

	2023	2022
	£	£
Deferred tax		
Origination and reversal of timing differences	21,941	14,649
Changes in tax rates	6,929	60,369
	<u>28,870</u>	<u>75,018</u>

MERGON UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****8 Taxation****(Continued)**

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

	2023	2022
	£	£
Profit before taxation	160,006	103,294
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	30,401	19,626
Tax effect of expenses that are not deductible in determining taxable profit	677	2,532
Effect of change in corporation tax rate	6,929	60,369
Super deduction	(9,137)	(7,509)
Taxation charge for the year	28,870	75,018

In March 2021 the Chancellor confirmed, in the budget, an increase in the corporation tax rate from 19% to 25%. The Finance Bill 2021 had its third reading on 24 May 2021 and is now considered substantively enacted. The timing differences expected to reverse on or after 1 April 2023 have been accounted for at 25%.

9 Dividends

	2023	2022
	£	£
Final paid	-	668,447

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

10 Tangible fixed assets

	Plant and machinery	Fixtures, fittings, tools and equipment	Motor vehicles	Moulds	Total
	£	£	£	£	£
Cost					
At 1 April 2022	10,588,798	658,233	18,049	572,114	11,837,194
Additions	89,734	28,679	-	-	118,413
At 31 March 2023	10,678,532	686,912	18,049	572,114	11,955,607
Depreciation and impairment					
At 1 April 2022	8,018,206	620,407	18,049	512,038	9,168,700
Depreciation charged in the year	207,162	10,435	-	12,587	230,184
At 31 March 2023	8,225,368	630,842	18,049	524,625	9,398,884
Carrying amount					
At 31 March 2023	2,453,164	56,070	-	47,489	2,556,723
At 31 March 2022	2,570,592	37,826	-	60,076	2,668,494

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023 £	2022 £
Plant and machinery	73,634	87,440

11 Stocks

	2023 £	2022 £
Raw materials and consumables	1,325,373	1,208,423
Finished goods and goods for resale	514,873	591,112
	1,840,246	1,799,535

12 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	3,105,827	3,398,962
Amounts owed by group undertakings	1,484,723	-
Prepayments and accrued income	215,030	265,463
	4,805,580	3,664,425

MERGON UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****13 Creditors: amounts falling due within one year**

	Notes	2023 £	2022 £
Obligations under finance leases	15	11,463	26,401
Trade creditors		2,327,347	1,887,314
Amounts owed to group undertakings		-	668,447
Taxation and social security		428,573	318,850
Other creditors		1,822,877	613,668
Accruals and deferred income		653,625	927,570
		<u>5,243,885</u>	<u>4,442,250</u>

Included within other creditors are amounts advanced under invoice discounting arrangements of £1,669,429 (2022: £590,525). The facility within other creditors is secured by a charge over the company's book debts.

14 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Obligations under finance leases	15	-	11,463
		<u>-</u>	<u>11,463</u>

15 Finance lease obligations

	2023 £	2022 £
Future minimum lease payments due under finance leases:		
Within one year	11,574	27,417
In two to five years	-	11,574
	<u>11,574</u>	<u>38,991</u>
Less: future finance charges	(111)	(1,127)
	<u>11,463</u>	<u>37,864</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

MERGON UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2023****16 Deferred taxation**

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

	Liabilities 2023 £	Liabilities 2022 £
Balances:		
Accelerated capital allowances	459,496	437,995
Tax losses	(172,925)	(180,750)
Other short term timing differences	(6,163)	(5,707)
	<u>280,408</u>	<u>251,538</u>
Movements in the year:		2023 £
Liability at 1 April 2022		251,538
Charge to profit or loss		21,941
Effect of change in tax rate - profit or loss		6,929
Liability at 31 March 2023		<u>280,408</u>

17 Retirement benefit schemes

	2023 £	2022 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>140,261</u>	<u>165,278</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the reporting date £25,952 (2022: £21,076) is included in other creditors.

18 Share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary of £1 each	<u>1,371,250</u>	<u>1,371,250</u>	<u>1,371,250</u>	<u>1,371,250</u>

MERGON UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

19 Operating lease commitments

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

	2023	2022
	£	£
Within one year	423,179	397,864
Between two and five years	1,500,122	1,606,819
In over five years	-	296,250
	<u>1,923,301</u>	<u>2,300,933</u>

20 Related party transactions

As a wholly owned subsidiary of Westcastle Topco Limited the directors have taken advantage of the exemption in FRS 102, Section 33 and have not disclosed related party transactions with other wholly-owned group undertakings.

21 Ultimate controlling party

The parent company is Westcastle Topco Limited, a company incorporated in Jersey (registration number 130255). Its registered address is 22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX.

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